

# Fiscal Year 2002 Budget Summary and Background Information

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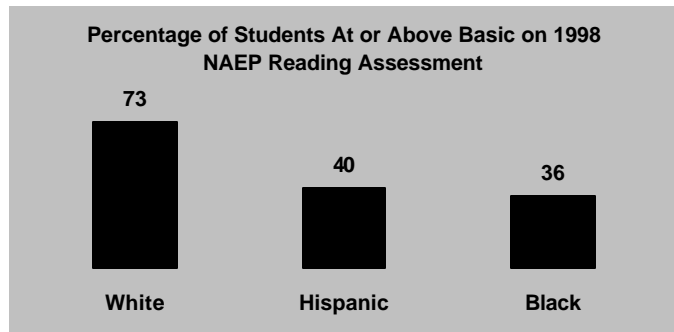
*When the federal government spends tax dollars, we must insist on results. Children should be tested on basic reading and math skills every year between grades three and eight. Measuring is the only way to know whether all our children are learning. And I want to know, because I refuse to leave any child behind in America.*

*George W. Bush*

## I. SUMMARY OF THE 2002 BUDGET

President Bush signaled his intention to make education his top priority when he announced *No Child Left Behind*—his framework for strengthening elementary and secondary education—four days after his inauguration. The President's commitment to improving education grew out of his own very personal conviction that for too long our education system has tolerated an unacceptable achievement gap between disadvantaged and minority students and their more advantaged peers.

For example, on the latest National Assessment of Educational Progress in 4<sup>th</sup> grade reading, 73 percent of white students performed at or above the basic level, compared with just 40 percent of Hispanic students and only 36 percent of African American students. These figures suggest that America's system of elementary and secondary education is failing to do its job for too many of our children—a failure that threatens the future of our Nation, and a failure that the American people will no longer tolerate.



It is just as clear that Federal education policy is not accomplishing its goals, despite the investment of more than \$130 billion in the Elementary and Secondary Education Act and the creation of hundreds of categorical programs over the past three decades. In fact, it is often this bewildering array of Federal programs, regulations, and paperwork that gets in the way of promising reforms at the State and local levels. These bureaucratic controls promote a culture of compliance, not real accountability measured by improved student achievement.

President Bush believes it is time to stop funding failure and start building a culture of achievement in our education system. To do this we need to learn from States and school districts across the country that have made remarkable progress in turning around failing schools, raising student achievement, and closing the achievement gap. We need to bring to Federal education programs many of the strategies that have worked so well at the State and local levels: increased accountability for student performance, a focus on research-based practices, reduced bureaucracy and greater flexibility, and better information and choices to empower parents.

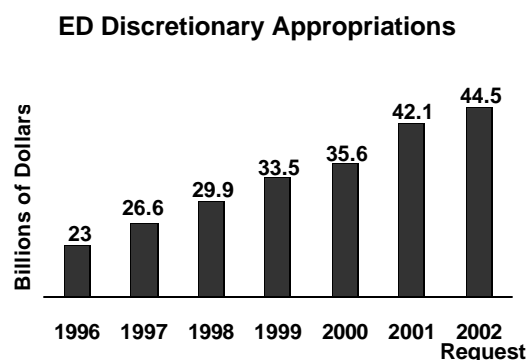
In particular, *No Child Left Behind* outlines a comprehensive approach to accountability involving annual testing in reading and math of all students in grades 3-8, regular reporting of test results to parents and the public, extra help for low-performing schools, and greater choices for students in chronically failing schools. States are free to develop their own systems of

accountability based on their own standards and assessments. Once those systems are in place, however, States will be rewarded for improving student performance and closing achievement gaps or risk losing a portion of Federal administrative funds if they fail to make sufficient progress.

The President's 2002 budget request makes a solid down payment on delivering the resources needed to implement these accountability measures as well other changes proposed in *No Child Left Behind*.

**The President is requesting \$44.5 billion in discretionary appropriations for the Department of Education in fiscal year 2002, an 11.5 percent increase in budget authority and an increase of \$2.5 billion or 5.9 percent over the 2001 program level. The Department received the largest percentage increase in the President's 2002 budget of any Cabinet-level domestic agency.**

Major increases in the 2002 request include \$1 billion for Special Education Grants to States, \$1 billion for Pell Grants, \$614 million for the Reading First State Grants initiative, \$459 million for Title I Grants to Local Educational Agencies—of which \$175 million will expand State and local assistance to low-performing schools, \$375 million for the State Grants for Improving Teacher Quality proposal, \$320 million to help States develop and implement annual reading and math tests for all students in grades 3-8, and \$175 million for a new Charter School Homestead Fund to help increase public school choice for parents and students.



**Total Department of Education Appropriations**  
(program level, in billions of dollars)

	<u>2000</u>	<u>2001</u>	<u>2002 Request</u>
Discretionary	\$35.6	\$42.1	\$44.5
Mandatory	<u>2.8</u>	<u>.3</u>	<u>4.3</u>
Total	38.4	42.4	48.9

Mandatory programs include Vocational Rehabilitation State Grants and the student loan programs. Mandatory costs fluctuate from year to year due to changes in interest rates and other factors affecting the costs of operating the student loan programs.

The Department's 2002 request is complemented by significant non-discretionary investments in education, such as raising the allowable annual contribution to tax-free Education Savings Accounts from \$500 to \$5,000 and permitting tax-free withdrawals to pay educational expenses from kindergarten through college. The request also would allow teachers to deduct out-of-pocket classroom expenses, permit States to issue tax-exempt private activity bonds for school construction, and provide a full tax exemption for all qualified higher education pre-paid tuition and savings plans.

The combination of discretionary and non-discretionary resources in the President's budget is targeted to the following areas:

## CLOSING THE ACHIEVEMENT GAP

The Federal government can, and must, help close the achievement gap between disadvantaged students and their peers through stronger accountability, help for failing schools, and more choices for parents. One of the primary means of closing the achievement gap is to spend the Federal investment in Title I more effectively and with greater accountability. The following support the strengthened accountability and school improvement requirements of *No Child Left Behind*:

- \$9.1 billion for Title I Grants to Local Educational Agencies, an increase of \$459 million to give States and school districts additional resources to turn around failing schools, improve teacher quality, and ensure that all students achieve to the standards at their grade levels before advancing to the next level. The request would focus these additional resources on high-poverty school districts by allocating the entire increase through the Targeted Grants formula. The request also provides, within the \$9.1 billion total, \$400 million for State and local technical assistance to help turn around low-performing schools.
- \$900 million for a new Reading First program to help States and local educational agencies (LEAs) implement comprehensive reading instruction grounded in scientifically-based reading research for children in kindergarten through third grade. This proposal builds on and replaces the Reading and Literacy Grants program, and would more than triple funding for reading instruction—from \$286 million in 2001 to \$900 million in 2002.
- \$846 million for 21<sup>st</sup> Century Community Learning Centers to support a State formula program that provides high-quality extended learning opportunities, after school and during the summer, for children in low-performing schools, including drug- and violence-prevention activities and character education.
- \$320 million to help States develop and implement annual reading and math assessments for all students in grades 3-8. States would be permitted to select and design their own new assessments, which must be in place by the 2004-2005 school year, so long as they are aligned with State standards and student achievement results are comparable from year to year.
- \$75 million for Early Reading First, an initiative that would complement Reading First State Grants by supporting model programs to develop the academic readiness of preschool-aged children. Activities would support scientifically based strategies to enhance pre-reading skills and school readiness for children in Head Start and other preschool programs.
- \$30 million for Transition to Teaching to support the effective Department of Defense Troops to Teachers program by providing quality teachers for more students in poor school districts. In addition, the Secretary of Education would have the authority to build on this program to recruit, prepare, and support a wide range of talented career-changing professionals as teachers, particularly in high-poverty schools and in high-need subject areas.

## EMPOWERING PARENTS WITH CHOICES

President Bush believes that one of the best ways to improve accountability in our schools is to give parents the information and options needed to make the right choices for their children's education. This is why, for example, the accountability proposals in *No Child Left Behind* include school-by-school report cards and give students in failing schools the option of transferring to a better school. In addition, the 2002 budget request includes the following:

- \$200 million for Charter Schools, an increase of \$10 million, to stimulate continued growth in the number of charter schools, an important element of the Administration's proposal to increase choice for students and parents. This request, combined with funds released because a number of projects will conclude their 3-year funding cycle, would support approximately 1,780 new and existing charter schools that offer enhanced public school choice and have the flexibility to offer innovative educational programs in exchange for greater accountability for student achievement.
- \$175 million for a new Charter Schools Homestead Fund, as part of the President's strategy for expanding school choice. This new initiative builds on the fiscal year 2001 \$25 million Charter School Facility Financing Demonstration Grants initiative by providing grants to leverage funds to construct, lease, purchase, or renovate academic facilities for use by charter schools.
- Increase the annual contribution limit for education savings accounts from \$500 to \$5,000. The higher contribution limit would be phased in over 5 years, increasing to \$1,000 in 2002 and by an additional \$1,000 per year through 2006. The Administration also proposes to expand education savings accounts to allow tax-free and penalty-free distributions for certain elementary, secondary, and after-school program expenses. Expenses for both public and private educational institutions would qualify.

## EXPANDING FLEXIBILITY AND REDUCING BUREAUCRACY

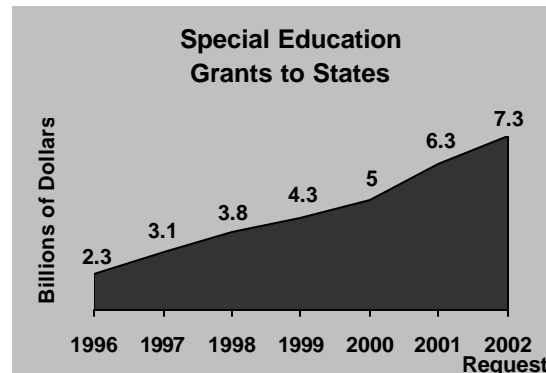
The Administration believes that it is possible to achieve better results by reducing regulations, paperwork, and bureaucracy and giving States and communities the flexibility to create their own solutions to problems in areas like education, health care, and protecting the environment. The President's budget would expand efforts to consolidate and streamline existing education programs, reduce paperwork and regulatory burdens, give States and school districts the flexibility to use Federal funds to address their own priorities, and ensure accountability through performance-based grants. Major proposals include the following:

- \$2.6 billion for State grants for improving teacher quality, a new formula grant program that would combine funding from several existing education programs, including the Class Size Reduction and Eisenhower Professional Development State Grants programs, into performance-based grants. The proposal would provide a \$375 million or 17 percent increase over the antecedent programs to help States and local educational agencies (LEAs) fund their own needs and priorities in developing and supporting a high-quality teaching force.

- \$817 million for Educational Technology State grants, a proposal to consolidate all of the Department's current educational technology programs into a single, performance-based grant program to ensure that schools use technology effectively to improve teaching and learning.
- \$472 million for Choice and Innovation State grants, a new initiative that consolidates small and duplicative programs into one flexible grant program to help States and school districts implement their own innovative strategies, including school choice, for improving student achievement.

### OTHER KEY ELEMENTARY AND SECONDARY PROPOSALS

- \$7.3 billion for the Special Education Grants to States program, an increase of \$1 billion or 15.8 percent over the 2001 level. This level of funding would provide an estimated \$1,133 for each child with a disability, an amount equal to about 17 percent of the national average per pupil expenditure. This would be the highest level of Federal support ever provided to educate children with disabilities.
- \$644 million for Safe and Drug-Free Schools State grants to more effectively provide students with drug- and violence-prevention programs and to implement strategies to improve school safety.
- Allow States to issue tax-exempt private activity bonds for school construction. The Administration proposes to provide States with annual authority of \$10 per resident (or \$5 million, if greater) to issue tax-exempt, private activity bonds for constructing and equipping public elementary and secondary schools. Current law does not exclude from income the interest on such bonds used to finance school construction or equipment. Private entities would construct the schools and own the schools while the bonds are outstanding; ownership would revert to the school district when the bonds are retired.
- Allow teachers to deduct out-of-pocket classroom expenses. The Administration proposes to allow teachers and other elementary and secondary school professionals to treat up to \$400 in qualified out-of-pocket classroom expenses as a non-itemized deduction (above-the-line deduction), effective for expenses incurred in taxable years beginning after December 31, 2001. Expenditures for books, supplies and equipment related to classroom instruction and for professional training programs would qualify for this deduction.





## POSTSECONDARY EDUCATION

The President's 2002 request would expand support for Federal programs that help prepare low-income and minority students for postsecondary education, student financial aid programs that help students and families pay rising college costs, and programs that strengthen postsecondary institutions serving large proportions of minority students. The budget request also includes tax proposals designed to lessen the burden of paying for postsecondary education.

- Funding for the Pell Grant maximum would increase by \$1 billion to \$9.8 billion to improve access to postsecondary education for students from the neediest families. The request would support a maximum grant of \$3,850, the highest ever. More than 4 million students would receive Pell grants.
- Student financial aid available, excluding the consolidation of existing student loans, would expand to \$49.4 billion, an increase of \$2.2 billion or 4.6 percent over the 2001 level. The total number of recipients of grant, loan, and work-study assistance would grow by 46,000 to 8.2 million students and parents.
- Tax-free distributions from Qualified State Tuition Plans (QSTPs) would be permitted for qualified higher education expenses, including room and board, tuition and fees, and certain expenses for books, supplies, and equipment. The Administration also proposes to allow private educational institutions to establish qualified prepaid tuition plans, provided the institution is eligible to participate in Federal financial aid programs under Title IV of the Higher Education Act of 1965.
- The request would expand loan forgiveness for math and science teachers serving low-income communities from \$5,000 to a maximum of \$17,500. Schools in those communities are often forced to hire teachers who lack certification in these subjects or to assign teachers who are teaching "out-of-field." This proposal would help these schools recruit and retain qualified math and science teachers.
- The Exclusion for Employer Provided Education Assistance would be extended. Under current law, employees may exclude from their gross income up to \$5,250 per year of employer-provided educational assistance for undergraduate courses beginning before January 1, 2002. The Administration proposes to extend this exclusion to undergraduate courses beginning before January 1, 2003.
- A \$15 million increase for the Aid for Institutional Development (Title III) programs demonstrates the Administration's commitment to assisting institutions that enroll a large proportion of minority and disadvantaged students. The request includes a \$12 million increase for Strengthening Historically Black Colleges and Universities and a \$3 million increase for Strengthening Historically Black Graduate Institutions.
- A \$4 million increase for Developing Hispanic-Serving Institutions would expand and enhance support to postsecondary education institutions that serve large percentages of Hispanic students. This program is part of the Department efforts to increase academic achievement, high school graduation, post-secondary participation, and life-long learning among Hispanic Americans.

- A \$50 million increase for TRIO would support substantial increases for the Talent Search and Educational Opportunity Centers programs to increase the number of projects and improve the level of outreach and support services designed to help low-income students enroll in and complete a college education.

## **DEPARTMENT MANAGEMENT**

The Department of Education has long suffered from deficiencies in financial management, particularly in its student financial aid programs. Despite considerable progress in recent years to address problems identified by independent audit firms, the General Accounting Office, and the Inspector General, more work is needed to better protect taxpayer resources and improve customer service. The 2002 budget would support the following improvements:

- Strengthen financial management to address audit deficiencies. The Department has received only one clean audit opinion since independent audits were first required in 1996. Investment in updated financial reporting systems, a new general ledger system, and asset-tracking software will increase the reliability of financial data needed to support a clean opinion and prevent the improper use of government resources.
- Modernize student aid delivery and management. The Department will continue efforts to use technology to simplify business processes and improve coordination with its school and lending partners to ensure the timely and financially responsible delivery of \$60 billion in annual postsecondary student financial assistance.
- Reduce default costs. While the Department has slashed the postsecondary student loan default from 22.4 percent to 6.8 percent over the past several years, rapid growth in loan volume has nevertheless doubled default costs over the past 8 years, from \$12 billion to \$25 billion. The Department will work to reduce these costs through earlier identification of problem loans and implementation of loan management “best practices.”

## II. THE 2002 EDUCATION BUDGET BY PROGRAM AREA

### A. ELEMENTARY AND SECONDARY EDUCATION

#### Overview

President Bush has made improving the quality of America's elementary and secondary schools his top priority. His framework for reform, *No Child Left Behind*, calls for changes in Federal elementary and secondary programs based on State-determined high standards for all, accountability for results, choice for parents and students, and flexibility for schools and teachers.

*No Child Left Behind* would build on the changes made in the 1994 reauthorization of the Elementary and Secondary Education Act (ESEA), but recognizes that those changes did not go far enough to reverse the unacceptable achievement gap between disadvantaged and minority students and their more advantaged peers. For example, on the latest National Assessment of Educational Progress in 4<sup>th</sup> grade reading, 73 percent of white students performed at or above the basic level, compared with just 40 percent of Hispanic students and only 36 percent of African American students.

This achievement gap has persisted and even widened despite the investment of more than \$130 billion and the creation of hundreds of categorical programs over the past three decades. In fact, these numerous Federal programs—accompanied by burdensome regulatory and paperwork requirements—often get in the way of promising reforms at the State and local levels and promote a culture of compliance, not real accountability measured by improved student achievement.

The President's fiscal year 2002 budget for elementary and secondary education is intended to stop funding failure and build instead a culture of achievement and accountability in our education system. In particular, the President's proposals are intended to ensure that no child is trapped in a chronically failing school. The request would bring to Federal education programs many of the strategies that have worked so well at the State and local levels: stronger accountability for student performance, a focus on research-based practices, reduced bureaucracy and greater flexibility, and better information to empower parents.

The budget also recognizes that resources are important by proposing an increase of \$1.9 billion for Department elementary and secondary education programs, up 7 percent over the 2001 program level. This increase includes ESEA programs as well as non-ESEA elementary and secondary programs, such as those authorized by the Individuals with Disabilities Education Act.

Highlights of the request for elementary and secondary programs include:

- \$9.1 billion for Title I Grants to Local Educational Agencies, an increase of \$459 million to give States and school districts additional resources to turn around failing schools, improve teacher quality, and ensure that all students achieve to the standards at their grade levels before advancing to the next level. The request would focus these additional resources on high-poverty school districts by allocating the entire increase through the Targeted Grants formula. The request also provides, within the \$9.1 billion total, \$400 million for State and local technical assistance to help turn around low-performing schools.

- \$2.6 billion for State grants for improving teacher quality, a new formula grant program that would combine funding from several existing education programs, including the Class Size Reduction and Eisenhower Professional Development State Grants programs, into performance-based grants. The proposal would provide a \$375 million or 17 percent increase over the antecedent programs to help States and local educational agencies (LEAs) fund their own needs and priorities in developing and supporting a high-quality teaching force.
- \$900 million for a new Reading First program to help States and local educational agencies (LEAs) implement comprehensive reading instruction grounded in scientifically based reading research for children in kindergarten through third grade. This proposal builds on and replaces the Reading and Literacy Grants program, and would more than triple funding for reading instruction—from \$286 million in 2001 to \$900 million in 2002.
- \$846 million for 21<sup>st</sup> Century Community Learning Centers to support a State formula program that provides high-quality extended learning opportunities, after school and during the summer, for children in low-performing schools, including drug- and violence-prevention activities and character education.
- \$817 million for Educational Technology State grants, a proposal to consolidate all of the Department's current educational technology programs into a single, performance-based grant program to ensure that schools use technology effectively to improve teaching and learning.
- \$644 million for Safe and Drug-Free Schools State grants to more effectively provide students with drug- and violence-prevention programs and to implement strategies to improve school safety.
- \$472 million for Choice and Innovation State grants, a new initiative that consolidates small and duplicative programs into one flexible grant program to help States and school districts implement their own innovative strategies for improving student achievement. In return for flexibility, States and districts would have to meet more stringent accountability requirements.
- \$320 million to help States develop and implement annual reading and math assessments for all students in grades 3-8. States would be permitted to select and design their own new assessments, which must be in place by the 2004-2005 school year, so long as they are aligned with State standards and student achievement results are comparable from year to year.
- \$200 million for Charter Schools, an increase of \$10 million, to stimulate continued growth in the number of charter schools, an important element of the Administration's proposal to increase choice for students and parents. This request, combined with funds released because a number of projects will conclude their 3-year funding cycle, would support approximately 1,780 new and existing charter schools that offer enhanced public school choice and have the flexibility to offer innovative educational programs in exchange for greater accountability for student achievement.

- \$175 million for a new Charter Schools Homestead Fund, as part of the President's strategy for expanding school choice. This new initiative builds on the \$25 million Charter School Facility Financing Demonstration Grants initiative launched in 2001 by providing grants to leverage funds to construct, lease, purchase, or renovate academic facilities for use by charter schools.
- \$75 million for Early Reading First, an initiative that would complement Reading First State Grants by supporting model programs to develop the academic readiness of preschool-aged children. Activities would support scientifically based strategies to enhance pre-reading skills and school readiness for preschool children.
- \$30 million for Transition to Teaching to support the Department of Defense Troops to Teachers program by providing quality teachers for more students in high-poverty school districts. In addition, the Secretary of Education would have the authority to build on this program to recruit, prepare, and support a wide range of talented career-changing professionals as teachers, particularly in high-poverty schools and in high-need subject areas.

Title I: Education for the Disadvantaged  
(dollars in millions)

	<u>2000</u>	<u>2001</u>	<u>2002 Request</u>
Grants to LEAs .....	\$7,941.4	\$8,601.7	\$9,060.7
Set-Aside for Low-Performing Schools (non-add) .....	134.0	225.0	400.0
Capital Expenses for Private School Children.....	12.0	6.0	—
Even Start .....	150.0	250.0	250.0
Reading First State Grants .....	260.0 <sup>1</sup>	286.0 <sup>1</sup>	900.0
Early Reading First .....	—	—	75.0
State Agency Programs:			
Migrant .....	354.7	380.0	380.0
Neglected and Delinquent .....	<u>42.0</u>	<u>46.0</u>	<u>46.0</u>
Subtotal .....	396.7	426.0	426.0
Evaluation .....	8.9	8.9	8.9
Demonstrations of Comprehensive School Reform.....	170.0	210.0	260.0 <sup>2</sup>
<u>Total .....</u>	<u>8,939.0</u>	<u>9,788.6</u>	<u>10,980.6<sup>2</sup></u>

<sup>1</sup> Appropriated as Reading and Literacy Grants under the Reading Excellence Act.

<sup>2</sup> Total reflects addition of \$50 million for Demonstrations of Comprehensive School Reform previously appropriated under the Fund for the Improvement of Education in the Education Research, Statistics, and Assessment account.

Title I provides supplemental programs to enable educationally disadvantaged children, particularly those attending schools in high-poverty areas, to learn the core subjects to high standards. For example, Title I supports more individualized instruction, fundamental changes

in the school to improve teaching and learning, and preschool education. Children of migrant agricultural workers and students in State institutions for neglected and delinquent children and youth also receive Title I services.

The 2002 request includes \$9.1 billion, a \$459 million increase, for Grants to Local Educational Agencies (LEAs). The number of children served by this program has increased rapidly in recent years, as more schools have elected to establish schoolwide Title I programs. The Department estimates that in 2002 these grants will serve more than 13 million students in 46,500 schools.

*No Child Left Behind*, the President's proposal to reform Federal support of elementary and secondary education, emphasizes accountability through testing all students in grades 3-8 in reading and math and requiring progressively tougher corrective measures for schools that fail to improve their performance in helping all students meet high State standards. The budget request reflects this emphasis on accountability by including, within the total for Grants to LEAs, \$400 million for State and local assistance to help turn around low-performing schools. These funds, an increase of \$175 million or 78 percent over the 2001 level, would support measures ranging from intensive teacher training to required implementation of proven reforms to school restructuring.

In addition, students attending schools identified for corrective action—those that have failed to make adequate yearly progress toward State standards for at least two consecutive years—would be provided the opportunity to transfer to better schools. If a school fails to improve for 3 years—despite technical assistance and other corrective actions—students could use their share of Federal Title I funds to transfer to a better public or private school or to obtain supplemental educational services.

The Department also is proposing to direct additional resources to high-poverty districts and schools by allocating the entire \$459 million increase for Title I LEA Grants through the Targeted Grants formula. This formula provides more funding per child than the Basic Grants formula to high-poverty districts and avoids the “cliff effect” of the Concentration Grant formula, which eliminates funding to districts that miss its 15-percent poverty threshold by even the smallest margin.

In addition to Grants to LEAs, Title I includes several other programs:

Reading First State Grants is the Administration's new comprehensive effort to use scientifically based reading research to promote high-quality school reading instruction for grades K-3. The request includes \$900 million for this proposal, a \$614 million increase that would more than triple the 1.1 million children served under the antecedent Reading and Literacy Grants program in 2001. Local reading programs would help teachers and school administrators improve instruction, support family literacy activities to improve the home learning environment, and mobilize reading coordinators and experts in communities and States to strengthen existing literacy efforts.

Early Reading First would complement Reading First State Grants by providing \$75 million in competitive grants to school districts and non-profit organizations to support activities in existing pre-school programs designed to enhance the verbal skills, phonological awareness, letter knowledge, pre-reading skills, and early language development of children ages 3 through 5. Funds would be targeted to communities with high numbers of low-income families.

Even Start supports local projects that blend early childhood education, parenting instruction, and adult education into a unified family literacy program. The request includes \$250 million, the same level as 2001, to support more than 1,400 projects nationwide that make these services available to eligible families.

The request provides \$260 million for Comprehensive School Reform Demonstrations (CSRD), the same as the 2001 level, to help schools develop and implement comprehensive school reform programs that are based on reliable research and effective practices. Funds are allocated to States, which then make competitive subgrants for up to 3 years to schools participating in Title I programs, with a priority on low-performing schools that have been identified for improvement under Title I. In prior years, additional funds appropriated through the Fund for the Improvement of Education (FIE) were available to non-Title I schools. The 2002 request consolidates the FIE portion of the funding under Title I and would support grants to approximately 3,500 schools.

The budget provides level funding of \$380 million for Migrant Education to meet the unique needs of nearly 800,000 children of highly mobile migrant agricultural workers by helping States to identify migrant children, pay the higher costs often associated with serving those children, and employ methods such as distance-learning to reach migrant farmworker communities. The request also includes \$46 million for the Title I Neglected and Delinquent (N&D) program to maintain services to children and youth in State-operated institutions.

The request includes \$8.9 million for Title I Evaluation to support national evaluations that examine the effectiveness of Title I, as well as studies of promising practices and other activities to help States and LEAs implement Title I requirements. Title I evaluations also help provide data that the Department uses to grade program performance, in compliance with the Government Performance and Results Act.

The request would not fund Capital Expenses for Private School Children, which helped school districts meet the extra costs of including private school children in Title I programs under the terms mandated by the original Aguilar v. Felton decision in 1985, which prohibited provision of services at religious schools. This decision, which required school districts to arrange off-site services through such methods as leasing neutral sites or using portable vans, was reversed by the Supreme Court in 1997, and school districts and private schools have largely completed the transition to on-site services.

High School Equivalency Program and  
College Assistance Migrant Program  
(BA in millions)

	<u>2000</u>	<u>2001</u>	<u>2002 Request</u>
High School Equivalency Program.....	\$15.0	\$20.0	\$20.0
College Assistance Migrant Program .....	<u>7.0</u>	<u>10.0</u>	<u>10.0</u>
Total .....	22.0	30.0	30.0

The High School Equivalency Program (HEP) funds projects to help low-income migrant and seasonal farm workers gain high school diplomas or equivalency certificates. The College Assistance Migrant Program (CAMP) provides stipends and special services such as tutoring

and counseling to migrant students who are in their first year of college. Both programs have demonstrated high success rates. In 1998-99, approximately 73 percent of HEP participants completed their GED and 88 percent of CAMP students completed their first year of college in good standing. Almost 74 percent of CAMP participants eventually graduate from college.

The request would enable HEP to serve a total of almost 8,000 migrant students, while the number of CAMP participants would be almost 1,800.

State Grants for Improving Teacher Quality  
(dollars in millions)

	<u>2000</u>	<u>2001</u>	<u>2002 Request</u>
State Grants for Improving Teacher Quality..	—	—	\$2,600.0
Class Size Reduction .....	\$1,300.0	\$1,623.0	—
Eisenhower Professional Development			
State Grants .....	335.0	485.0	—
Eisenhower Professional Development			
National Activities.....	—	41.0	—
Eisenhower Professional Development			
Federal Activities.....	23.3	23.3	—
Eisenhower Regional Mathematics and			
Science Education Consortia .....	15.0	15.0	—
Parental Assistance.....	<u>33.0</u>	<u>38.0</u>	<u>—</u>
Total .....	1,706.3	2,225.3	2,600.0

*No Child Left Behind* proposes the consolidation of funding from several existing education programs, including Class Size Reduction and Eisenhower Professional Development State Grants, into a new State Grants for Improving Teacher Quality program. The \$2.6 billion request is a \$375 million or 17 percent increase over the funding provided for the consolidated programs in 2001. This streamlined program of performance-based grants would provide sufficient flexibility for States and LEAs to strengthen the skills and knowledge of their teachers and administrators and build a high-quality teaching force.

In exchange for this flexibility, States and LEAs would be required to ensure that program funds are used for professional development that is (1) grounded in scientifically based research, (2) tied to State or local standards, (3) of sufficient intensity and duration to affect teaching performance, and (4) directly related to the subjects taught. In addition, States would be held accountable for ensuring that all children are taught by effective teachers and for improving student achievement.

States would be able to support other activities to improve teacher quality, including changes to teacher certification or licensure requirements, alternative certification, tenure reform, merit-based teacher performance systems, differential and bonus pay for teachers in high-need subject areas, and teacher mentoring programs.



### Transition to Teaching

	<u>2000</u>	<u>2001</u>	<u>2002 Request</u>
BA in millions .....	—	—	\$30.0

The request would support the Department of Defense's Troops to Teachers program that provides the preparation and support needed to encourage retiring military personnel to teach in high-poverty school districts. Funds also may be used to extend the program to the recruitment and preparation of non-military professionals as teachers, particularly in high-poverty schools and in high-need subject areas.

This program addresses the national challenge of training and recruiting more than 2 million teachers over the next 10 years due to the retirements of long-time teachers, high attrition rates among new teachers, and booming enrollments. Since 1994, Troops to Teachers has placed more than 3,300 former military personnel in teaching positions in 48 States and the District of Columbia, and more than 83 percent of program participants are still in the classroom today. Teachers recruited through Troops to Teachers are twice as likely as traditional public school teachers to teach in such high-need subject areas as mathematics, science, and special education.

### Safe and Drug-Free Schools

	<u>2000</u>	<u>2001</u>	<u>2002 Request</u>
BA in millions .....	\$600.0	\$644.3	\$644.3

*No Child Left Behind* would strengthen and streamline the Safe and Drug-Free Schools program to more effectively provide students with research-based drug- and violence-prevention programs and to implement strategies to improve school safety. The proposed performance-based grant program would require States to (1) develop a definition of a "persistently dangerous school" and to report on safety on a school-by-school basis, (2) provide victims of serious school-based crimes and students trapped in persistently dangerous schools the option to transfer to a safe alternative, and (3) adopt a "zero-tolerance" policy that empowers teachers to remove violent or persistently disruptive students from the classroom.

### 21<sup>st</sup> Century Community Learning Centers

	<u>2000</u>	<u>2001</u>	<u>2002 Request</u>
BA in millions .....	\$453.4	\$845.6	\$845.6

The request would support about 6,300 centers providing after-school learning opportunities—particularly for children most in need of a safe environment and supplemental academic assistance—to about 1.1 million students. Recent research has found that effective schools use extended learning time in reading and mathematics to improve student achievement.

The Administration intends to work with Congress to convert this competitive grant program into State formula grants, with the States making competitive subgrants to projects that would primarily serve schools eligible to operate a Title I schoolwide program. States would give priority to projects serving schools identified for improvement or corrective action under Title I. The proposal also would expand eligibility to community-based and faith-based organizations, emphasize activities that prepare students to meet State and local student performance standards in core academic subjects, and allow States to reserve a portion of their allocations to carry out State-level activities.

Educational Technology State Grants  
(BA in millions)

	<u>2000</u>	<u>2001</u>	<u>2002</u> <u>Request</u>
Educational Technology State Grants.....	—	—	\$817.1
Technology Literacy Challenge Fund.....	\$425.0	\$450.0	—
Technology Innovation Challenge Grants.....	146.3	136.3	—
Regional Technology in Education Consortia.....	10.0	10.0	—
Teacher Training in Technology .....	75.0	125.0	—
Community-Based Technology Centers .....	32.5	65.0	—
Technology Leadership activities .....	2.0	2.0	—
Star Schools .....	50.6	59.3	—
Ready-To-Learn Television .....	16.0	16.0	—
Telecommunications Demonstration Project for Mathematics .....	<u>8.5</u>	<u>8.5</u>	<u>—</u>
<b>Total .....</b>	<b>872.1</b>	<b>872.1<sup>1</sup></b>	<b>\$817.1</b>

<sup>1</sup> Includes \$55 million in one-time appropriations for special projects.

The President's Educational Technology State Grants program would consolidate 9 current educational technology programs into a single, performance-based grant program. The proposal would provide more funds to schools than the current multi-grant system while eliminating the burden on States and districts of submitting multiple applications for technology funds and meeting separate programmatic and regulatory requirements.

Educational Technology State Grants funds would flow by formula to States, and within States, funds would be targeted to rural and high-poverty schools. Districts would use their funds for such activities as the purchase of hardware and software (including networking connections), training teachers to integrate technology into the curriculum, and filtering Internet connections to protect children from obscene and inappropriate material. States would be held accountable for the use of their technology funds and would be required to set performance goals to measure how grants are being used to improve student achievement.

Choice and Innovation State Grants  
(BA in millions)

	<u>2000</u>	<u>2001</u>	<u>2002 Request</u>
Choice and Innovation State Grants .....	—	—	\$471.5
Innovative Education State Grants .....	\$365.7	\$385.0	—
Inexpensive Book Distribution .....	20.0	23.0	—
Arts in Education .....	11.5	28.0	—
Women's Educational Equity .....	3.0	3.0	—
Ellender Fellowships .....	1.5	1.5	—
Fund for the Improvement of Education .....	244.2	338.8 <sup>1</sup>	—
Javits Gifted and Talented education .....	6.5	7.5	—
National Writing Project .....	9.0	10.0	—
Civic Education .....	9.9	12.0	—
Smaller Learning Communities .....	—	<u>125.0</u>	—
<u>Total .....</u>	<u>671.3</u>	<u>933.8</u>	<u>471.5</u>

<sup>1</sup> Includes \$139.8 million in one-time appropriations for special projects.

This initiative would consolidate several overlapping and duplicative grant programs into one flexible grant to give States and school districts the freedom to use Federal funds to support their own innovative strategies for improving student achievement. Allowable activities would include innovative approaches to school choice, including private school choice and charter school programs, as well as activities authorized under the antecedent programs. States and school districts would no longer have to submit multiple applications or adhere to separate administrative and regulatory requirements for individual programs.

For example, school districts would be able to use their funds to support comprehensive reforms that could include creating smaller learning communities in high schools, expanding school counseling programs, and meeting the special educational needs of gifted and talented students.

State Assessments

	<u>2000</u>	<u>2001</u>	<u>2002 Request</u>
BA in millions .....	—	—	\$320.0

The foundation for the strengthened accountability in Federal education programs called for in *No Child Left Behind* is the proposal for annual State assessments in reading and mathematics for all students in grades 3-8. These assessments would provide parents the information they need to know how well their child is doing in school and how well the school is educating their child. School districts would use assessment results to make sure that all schools and students are making adequate yearly progress toward State content and performance standards, and that no groups of students are left behind. States would use assessment results to measure the performance of school districts and schools and to identify schools needing improvement under the school improvement and corrective action provisions of the Title I Grants to Local Educational Agencies program.

Current law requires assessment in reading and mathematics only twice during grades 3-8. States would be permitted to select and design their own new assessments, which must be in place by the 2004-2005 school year, so long as they are aligned with State standards and student achievement results are comparable from year to year. The 2002 request for State Assessments would pay the Federal share of developing and implementing these new assessments.

#### Reform and Innovation Fund

	<u>2000</u>	<u>2001</u>	<u>2002 Request</u>
BA in millions .....	—	—	\$40.0

This proposed program would provide the Secretary with discretionary funds to support programs and projects that address national priorities in K-12 education. For example, these funds could be used to demonstrate the effectiveness of expanded school choice options or other innovations of national significance.

For 2002, the new fund would focus on character education, investing \$25 million in grants to States and school districts for such activities as developing character education curriculum, implementing model character education programs that involve parents and community members, including private and nonprofit organizations, and training teachers to incorporate character-building lessons and activities into the classroom.

Funds also would support early childhood literacy activities through the *Reach Out and Read* program, which trains pediatricians and nurse practitioners to work with parents and their young children to develop early literacy skills.

#### Charter Schools Homestead Fund

	<u>2000</u>	<u>2001</u>	<u>2002 Request</u>
BA in millions .....	—	—	\$175.0

A key goal of *No Child Left Behind* is to empower parents with more educational options for their children from kindergarten to college. One of the best strategies to achieve this goal is to expand the number of charter schools, which increase the choices for parents seeking the best possible education for their children.

A major obstacle to the creation of charter schools in many communities is the limited availability of suitable academic facilities. The Charter Schools Homestead Fund would build on the existing Charter School Facility Demonstration Grants program by providing \$175 million in grants to public and nonprofit entities to leverage funds to help charter schools purchase, construct, renovate, or lease academic facilities or obtain donated buildings.

### Charter Schools

	<u>2000</u>	<u>2001</u>	<u>2002 Request</u>
BA in millions .....	\$145.0	\$190.0	\$200.0

This program increases public school choice options by supporting the planning, development, and initial implementation of public charter schools. A total of 36 States, the District of Columbia, and Puerto Rico have charter school laws that exempt such schools from most education rules and regulations in exchange for greater accountability for improving student performance. The number of charter schools nationwide has grown from 250 to more than 2,100 in the past few years. The \$200 million request would support the Administration's objective of expanding public school choice options by funding an estimated 680 new and 1,100 existing charter schools.

### Magnet Schools Assistance

	<u>2000</u>	<u>2001</u>	<u>2002 Request</u>
BA in millions .....	\$110.0	\$110.0	\$110.0

Level funding for this program would support approximately 64 new and continuation grants to local educational agencies to operate magnet schools that are part of a court-ordered or federally approved desegregation plan to eliminate, reduce, or prevent minority group isolation in elementary and secondary schools. Magnet schools address their desegregation goals by providing a distinctive educational program that attracts a diverse student population. The request also would support about 15 awards for "Innovative Programs" that involve local desegregation activities outside of magnet schools.

### Education for Native Hawaiians (BA in millions)

	<u>2000</u>	<u>2001</u>	<u>2002 Request</u>
New Activities.....	—	—	\$2.6
Family-Based Education Centers.....	\$8.4	\$10.9	9.0
Higher Education .....	2.7	3.2	3.2
Gifted and Talented .....	.7	2.6	2.6
Special Education .....	2.2	2.6	2.6
Curriculum Development, Teacher Training, and Recruitment .....	7.1	6.6	5.6
Community-Based Centers .....	1.5	1.6	1.9
Native Hawaiian Education Councils .....	<u>0.4</u>	<u>0.5</u>	<u>0.5</u>
Total .....	23.0	28.0	28.0

These programs provide educational services for Hawaiian Natives, many of whom perform below national norms on achievement tests of basic skills in reading, science, math, and social

science. Hawaiian Natives also experience higher than average rates of absenteeism and grade retention, are disproportionately identified as disabled, and have a low rate of postsecondary participation. Education for Native Hawaiians programs address each of these issues, and have demonstrated significant progress in such areas as early childhood education and higher education. New projects in recent years have focused on aquaculture education, Hawaiian language revitalization, and prisoner education.

Alaska Native Education Equity  
(BA in millions)

	<u>2000</u>	<u>2001</u>	<u>2002 Request</u>
New Activities.....	—	—	\$5.2
Educational Planning, Curriculum Development, Teacher Training, and Recruitment .....	\$5.0	\$5.2	4.2
Home-based Education for Pre-School Children.....	5.9	6.1	4.3
Student Enrichment .....	2.0	1.7	1.3
Other Activities .....	—	2.0	—
Total .....	13.0	15.0	15.0

These programs provide educational services to meet the special needs of Native Alaskan children. Recent studies have shown that 60 percent of Alaska Natives entering high school in urban areas do not graduate, and Alaska Natives trail other students on tests of educational proficiency. The 2002 request includes level funding for continuation of projects that address the barriers preventing Alaska Native children from achieving to higher academic standards, and that develop programs tailored to the special needs of Alaska Native children in order to improve their performance in the classroom.

Education for Homeless Children and Youth

	<u>2000</u>	<u>2001</u>	<u>2002 Request</u>
BA in millions .....	\$28.8	\$35.0	\$35.0

This program provides formula grants to States to facilitate the enrollment of homeless students in school and give them access to services available to other children, such as preschool programs, special education, gifted and talented programs, and vocational education. States subgrant most funds to local educational agencies for tutoring, transportation, and other services that help homeless children to enroll in, attend, and succeed in school.

Since this program began in 1988, nearly all States have revised their laws, regulations, and policies to improve educational access for homeless students. States have typically eased residency requirements and improved transportation and immunization policies to ensure greater access for homeless students. Nevertheless, homeless children and youth continue to be at significant risk of educational failure and the \$35 million request would maintain support for State and local activities designed to reduce that risk.

Training and Advisory Services (Title IV of the Civil Rights Act)

	<u>2000</u>	<u>2001</u>	<u>2002 Request</u>
BA in millions .....	\$7.3	\$7.3	\$7.3

This program supports 10 regional Equity Assistance Centers that provide services to school districts on issues related to desegregation based on race, gender, and national origin. Typical activities include disseminating information on successful practices and legal requirements related to nondiscrimination, providing training to educators to develop their skills in specific areas, such as identification of bias in instructional materials, and technical assistance on selection of instructional materials.

Advanced Placement Incentives

	<u>2000</u>	<u>2001</u>	<u>2002 Request</u>
BA in millions .....	\$15.0	\$22.0	\$22.0

This program awards grants to States to enable them to cover part or all of the cost of advanced placement (AP) test fees of low-income students who are enrolled in an advanced placement course and intend to take an AP test. The program thus provides an incentive for districts serving low-income students to offer AP courses and for students to take those courses. In addition, States in which low-income students pay no more than a nominal fee to take AP tests can use program funds for activities that upgrade the curriculum available to those students, such as development of curriculum for AP courses and training teachers to teach such courses.

The request would continue support for State efforts to make challenging courses more widely available, including use of the Internet or other technologies to establish advanced placement distance learning programs in small or isolated high-poverty schools that cannot currently provide access for their students to such classes. The request would also pay test fees for low-income students taking approximately 75,000 AP tests.

Comprehensive Regional Assistance Centers

	<u>2000</u>	<u>2001</u>	<u>2002 Request</u>
BA in millions .....	\$28.0	\$28.0	\$28.0

Level funding would support technical assistance to States, school districts, and other recipients of ESEA funds in implementing the reforms called for in *No Child Left Behind*, including closing the achievement gap between poor and minority students and other students, turning around low-performing schools, strengthening accountability in ESEA programs, and expanding educational options for parents and their children.

The 15 regional Centers would continue to provide assistance in such areas as improving low-performing schools, professional development on best practices in reading and mathematics

instruction, strategies for expanding school choice, research-based drug- and violence-prevention practices, and improving programs for limited English proficient students.

Indian Education  
(BA in millions)

	<u>2000</u>	<u>2001</u>	<u>2002</u> <u>Request</u>
Grants to LEAs .....	\$62.0	\$92.8	\$92.8
Special Programs for Indian Children.....	13.3	20.0	20.0
National Activities.....	<u>1.7</u>	<u>2.7</u>	<u>3.2</u>
Total .....	77.0	115.5	116.0

Indian Education programs supplement the efforts of State and local educational agencies, and Indian tribes, to improve educational opportunities for Indian children. The programs link these efforts to broader educational reforms underway in States and localities to ensure that Indian students benefit from those reforms and achieve to the same challenging academic standards as other students.

The request provides level funding for Grants to Local Educational Agencies, which provide funds to public and BIA-supported schools for activities to improve the educational achievement of Indian students. These activities must be linked to student performance goals based on challenging State or local standards, and the districts must report periodically to their communities on progress toward these goals. The request also provides level funding for Special Programs for Indian Children, including \$10 million to continue the American Indian Teacher Corps, which will support training for 1,000 Indian teachers over a five-year period to take positions in schools that serve concentrations of Indian children. Also included is \$5 million to continue the American Indian Administrator Corps, which recruits, trains, and provides in-service professional development to American Indians to become effective school administrators in schools with high concentrations of American Indian students.

In addition, the request provides \$3.2 million to implement a comprehensive research agenda currently in final development that responds to the national need for better education of Indians. This agenda focuses on filling gaps in national information on the educational status and needs of Indians, and on identifying educational practices that are effective with Indian students.



Impact Aid  
(BA in millions)

	<u>2000</u>	<u>2001</u>	<u>2002</u> <u>Request</u>
Payments for Federally Connected Children:			
Basic Support Payments .....	\$737.2	\$882.0	\$882.0
Payments for Children with			
Disabilities .....	50.0	50.0	50.0
Payments for Heavily Impacted			
Districts .....	72.2	— <sup>1</sup>	— <sup>1</sup>
Facilities Maintenance .....	5.0	8.0	8.0
Construction .....	10.1	12.8	150.0
Payments for Federal Property .....	<u>32.0</u>	<u>40.5</u>	<u>40.5</u>
 Total .....	 906.5	 993.3	 1,130.5

<sup>1</sup> Under the 2000 Impact Aid reauthorization, Payments for Heavily Impacted Districts come from the appropriation for Basic Support Payments, rather than from a separate appropriation.

The Impact Aid program provides financial support to school districts affected by Federal activities. The presence of certain children living on Federal property across the country places a financial burden on school districts that educate them. The property on which the children live is exempt from local property taxes, denying districts access to the primary source of revenue used by most communities to finance education. Impact Aid helps to replace the lost local revenue that would otherwise be available to districts to pay for the education of these children.

The \$882 million request for Basic Support Payments would provide grants for both regular Basic Support Payments and Basic Support Payments for Heavily Impacted LEAs.

The \$50 million request for Payments for Children with Disabilities would help eligible districts meet the mandate under the Individuals with Disabilities Education Act to provide a free appropriate public education for federally connected children with disabilities.

The Department of Education owns and maintains 48 school facilities. The \$8 million request for Facilities Maintenance would enable the Department of Education both to continue to transfer these schools to local school districts and to make emergency repairs to the school buildings owned.

School districts also generally pay for most of their school construction costs using their own resources and rely on property taxes to finance these costs. The proposed \$150 million for Construction payments to LEAs—distributed by formula under section 8007(a)—would assist districts with large proportions of military dependent students and students residing on Indian lands that have lost local funds that would otherwise be available for school construction and renovation.

The \$40.5 million request for Payments for Federal Property would provide payments to districts that generally have lost 10 percent or more of their taxable property to the Federal Government.

**B. BILINGUAL AND IMMIGRANT EDUCATION**

(BA in millions)

	<u>2000</u>	<u>2001</u>	<u>2002</u> <u>Request</u>
Bilingual and Immigrant Education			
State grants .....	—	—	\$460.0
Instructional Services .....	\$162.5	\$180.0	—
Support Services .....	14.0	16.0	—
Professional Development .....	71.5	100.0	—
Immigrant Education .....	150.0	150.0	—
Foreign Language Assistance.....	<u>8.0</u>	<u>14.0</u>	<u>—</u>
Total .....	406.0	460.0	460.0

The request would implement changes in bilingual and immigrant education called for in *No Child Left Behind*, which proposes to consolidate all currently funded bilingual and immigrant programs, as well as the Foreign Language Assistance program, into a single flexible, performance-based State grant program. To meet the goal of helping limited English proficient (LEP) students master English as quickly as possible, States and school districts would be held accountable for ensuring that LEP students make annual increases in English proficiency as well as adequate yearly progress in core academic subjects.

The proposed program would enable States to develop and implement a comprehensive, statewide response to the needs of the growing population of LEP and immigrant students, instead of the current piecemeal approach involving multiple discretionary grants to school districts and institutions of higher education.

The number of LEP children attending American schools has grown dramatically—primarily because of immigration—with State educational agencies reporting that LEP enrollment rose from 2.1 million in the 1990-91 academic year to 3.5 million in 1996-97. Much of this growth is in States and school districts that previously enrolled only a handful of these students. As the number of LEP children has grown, the need for programs and trained staff to serve those children has grown accordingly. The request will target funds to help LEP children complete school and make their way into the economic mainstream.

### C. SPECIAL EDUCATION AND REHABILITATIVE SERVICES

The Administration is committed to working to ensure that all Americans have the opportunity to learn and develop skills, engage in productive work, choose where to live, and participate in community life. The 2002 budget request expands opportunities for persons with disabilities and improves education and employment outcomes by providing increased support through programs providing direct services for individuals with disabilities and programs that promote improved results for all children, including children with disabilities.

The \$8.4 billion for Special Education programs includes \$7.3 billion for the Grants to States program, an increase of \$1 billion or 15.8 percent over the 2001 level. This level of funding would provide an estimated \$1,133 for each child with a disability, an amount equal to about 17 percent of the national average per pupil expenditure. This would be the highest level of Federal support ever provided for children with disabilities.

For Rehabilitation Services and Disability Research, the budget provides \$2.9 billion, an increase of \$125 million or 4.4 percent over the 2001 level. This total includes \$2.5 billion for Vocational Rehabilitation State Grants, an increase of \$82 million to help over 1.2 million individuals with disabilities receive the services they need to become employed.

To support the President's New Freedom Initiative, the request also makes significant new investments in developing assistive technologies and making them available to individuals with disabilities. This includes a \$9.6 million, or 9.6 percent, increase for the National Institute on Disability and Rehabilitation Research and a \$20 million increase for the Assistive Technology program to expand financing to help individuals with disabilities purchase needed assistive technology devices and services. The budget also includes \$20 million for a new Access to Telework Fund that would provide Federal matching funds to States for loans to individuals with disabilities to purchase computers and other equipment that would enable them to take advantage of telework opportunities.

#### SPECIAL EDUCATION

##### Grants to States

	<u>2000</u>	<u>2001</u>	<u>2002 Request</u>
Dollars in millions .....	\$4,989.7	\$6,339.7	\$7,339.7
Children ages 3 through 21 Number served (thousands) .....	6,270	6,377	6,466

The Grants to States program makes formula grants that help States pay the excess costs of providing special education and related services to children with disabilities aged 3 through 21 years. The request would provide about \$1,133 for each of the nearly 6.5 million children with disabilities expected to require special education for fiscal year 2002. The \$1 billion increase would raise the Federal contribution to 17 percent of the national average per pupil expenditure per child with a disability—the highest Federal contribution in the history of the program and an increase of 2 percentage points over the 2001 level.

The request includes \$15 million, a decrease of \$1 million from the 2001 level, for studies to assess progress in implementing the Individuals with Disabilities Education Act.

#### Preschool Grants

	<u>2000</u>	<u>2001</u>	<u>2002 Request</u>
BA in millions .....	\$390.0	\$390.0	\$390.0

This program provides formula grants to help States make a free appropriate public education available to all children with disabilities ages 3 through 5. The Preschool Grants program supplements funds provided to States under the Grants to States program and help to ensure that young children with disabilities are ready to learn when they enter school. The request would provide approximately \$637 per child for approximately 613,000 children.

#### Grants for Infants and Families

	<u>2000</u>	<u>2001</u>	<u>2002 Request</u>
BA in millions .....	\$375.0	\$383.6	\$383.6

This program makes formula grants to help States implement statewide systems of early intervention services for all eligible children with disabilities from birth through age 2 and their families. These systems help States and local agencies identify and serve children with disabilities early in life when interventions can be most effective in improving educational outcomes. In fiscal year 2002, this program will provide support to 57 State agencies and serve approximately 224,500 infants and toddlers with disabilities and their families.

### **Special Education National Activities**

Special Education National Activities programs provide a streamlined and coherent structure of essential support to the States in their efforts to provide early intervention services and equal educational opportunity to children with disabilities. The total request for National Activities is \$312.3 million, a decrease of \$14.4 million from the 2001 level. Most decreases reflect the elimination of funding for one-time projects in 2001.

#### State Improvement

	<u>2000</u>	<u>2001</u>	<u>2002 Request</u>
BA in millions .....	\$35.2	\$49.2	\$49.2

This program provides competitive grants to help State educational agencies reform and improve their systems for providing educational, early intervention, and transitional services to improve results for children with disabilities. This includes their systems for professional development, technical assistance, and dissemination.

At least 75 percent of the funds provided to each State are reserved for professional development. The remaining funds are used to carry out State strategies for improving educational results, including efforts to hold school districts and schools accountable for the educational progress of children with disabilities, providing high-quality technical assistance to school districts and schools, and changing State policies and procedures to address systemic barriers to improving results for students with disabilities. The request of \$49.2 million would support approximately 49 awards made in prior years.

#### Research and Innovation

	<u>2000</u>	<u>2001</u>	<u>2002 Request</u>
BA in millions .....	\$64.4	\$77.4 <sup>1</sup>	\$70.0

<sup>1</sup> Includes \$7.4 million in one-time appropriations for special projects.

Research and Innovation activities develop new knowledge through research, apply knowledge to create useful practices through demonstrations, and make knowledge available through outreach and other dissemination activities. The request includes about \$17 million for new projects and \$52.1 million for continuation projects.

#### Technical Assistance and Dissemination

	<u>2000</u>	<u>2001</u>	<u>2002 Request</u>
BA in millions .....	\$45.5	\$53.5	\$53.5

This program provides technical assistance and disseminates materials based on knowledge gained through research and practice. The request includes funding for continued support of an \$8 million initiative to provide grants to help States address their technical assistance needs, including those related to correcting deficiencies in IDEA compliance found through State and Federal monitoring. About \$13.4 million would be available for new projects and \$40.0 million for continuation awards.

#### Personnel Preparation

	<u>2000</u>	<u>2001</u>	<u>2002 Request</u>
BA in millions .....	\$82.0	\$82.0	\$82.0

This program makes awards to prepare personnel to serve children with low- and high-incidence disabilities, to train leadership personnel, and to fund projects of national significance, such as developing models for teacher preparation. The overall goal of the program is to help ensure that there are adequate numbers of personnel with the skills and knowledge of the best practices to help children with disabilities succeed educationally. For this reason, the program focuses on both meeting the demand for personnel to serve children with disabilities and improving the quality of these personnel. A particular emphasis is placed on incorporating

knowledge gained from research and practice into training programs. The request would provide \$22.9 million for new awards and \$58.4 million for continuation awards.

#### Parent Information Centers

	<u>2000</u>	<u>2001</u>	<u>2002 Request</u>
BA in millions .....	\$18.5	\$26.0	\$26.0

Parent Information centers provide parents with the training and information they need to work with professionals in meeting the early intervention and special education needs of their children with disabilities. The request would provide new and continuation support for over 100 centers as well funding for a new award for technical assistance to the centers.

#### Technology and Media Services

	<u>2000</u>	<u>2001</u>	<u>2002 Request</u>
BA in millions .....	\$35.9	\$38.7 <sup>1</sup>	\$31.7

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<sup>1</sup> Includes \$11 million in one-time appropriations for special projects.

This program supports research, development, and other activities to advance the application of new and emerging technologies in providing special education and early intervention services. Funds are also used for media-related activities such as captioning films and television for individuals with hearing impairments and video description and recording activities for individuals with visual impairments. The reduction proposed for 2002 reflects the elimination of funding for a one-time project and a one-time supplement in fiscal year 2001 and a reduction in Small Business Innovation Research program support, which is now included under the Rehabilitation Services and Disability account as part of the new Assistive Technology Development Fund.

### **REHABILITATION SERVICES AND DISABILITY RESEARCH**

#### Vocational Rehabilitation (VR) State Grants

	<u>2000</u>	<u>2001</u>	<u>2002 Request</u>
BA in millions .....	\$2,339.0	\$2,399.8	\$2,481.4

The \$2.5 billion request, an increase of \$81.6 million or 3.4 percent, would assist State VR agencies in increasing the participation of individuals with disabilities in the labor force. The request would satisfy the statutory requirement to increase funding by at least the percentage change in the Consumer Price Index. The total includes \$26 million for grants to Indian tribes.

Vocational Rehabilitation State Grants provide funds to State vocational rehabilitation agencies to help individuals with disabilities become gainfully employed. Funds are distributed on the basis of a formula that takes into account population and per capita income.

A wide range of services is provided each year to about 1.2 million individuals with disabilities, including vocational evaluation, counseling and guidance, work adjustment, diagnosis and treatment of physical and mental impairments, education and vocational training, job placement, and post-employment services. In the event that services cannot be provided to all eligible individuals with disabilities who apply, States must give priority to individuals with the most significant disabilities. Services are provided according to an individualized plan for employment. In 1999, the VR program helped over 230,000 individuals with disabilities achieve employment outcomes, with over 83 percent entering the competitive labor market or becoming self-employed. Approximately 85 percent of the individuals who achieved employment have significant disabilities.

#### Client Assistance State Grants

	<u>2000</u>	<u>2001</u>	<u>2002 Request</u>
BA in millions .....	\$10.9	\$11.6	\$11.6

This program makes formula grants to States for activities to inform and advise clients of benefits available to them under the Rehabilitation Act and to assist them in their relationships with service providers, including remedies to ensure the protection of their rights under the Act. The request will provide services to approximately 74,600 individuals with disabilities.

#### Training

	<u>2000</u>	<u>2001</u>	<u>2002 Request</u>
BA in millions .....	\$39.6	\$39.6	\$39.6

This program makes grants to State and public or other nonprofit agencies and organizations, including institutions of higher education, to help ensure that adequate skilled personnel are available to provide rehabilitation services to persons with disabilities. Approximately \$2.8 million would be available for new projects.

#### Demonstration and Training Programs

	<u>2000</u>	<u>2001</u>	<u>2002 Request</u>
BA in millions .....	\$21.7	\$21.1 <sup>1</sup>	\$16.5

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<sup>1</sup> Includes \$4.6 million in one-time appropriations for special projects.

Demonstration and Training programs develop innovative methods and comprehensive service programs to help individuals with disabilities achieve vocational outcomes. The program awards competitive grants or contracts to State vocational rehabilitation agencies, community rehabilitation programs, Indian tribes or tribal organizations, or other public or nonprofit agencies or organizations, and for-profit organizations. The reduction from the 2001 level reflects the

elimination of funding for one-time projects. At the request level, approximately \$1.2 million would be available for new awards.

#### Migrant and Seasonal Farmworkers

	<u>2000</u>	<u>2001</u>	<u>2002 Request</u>
BA in millions .....	\$2.4	\$2.4	\$2.4

This program awards competitive grants to State vocational rehabilitation agencies and nonprofit organizations to provide rehabilitation services to migratory workers with disabilities. States that receive funding under this program are consistently more aggressive in serving this population than those that do not. The request will support 4 new projects and 10 ongoing projects.

#### Recreational Programs

	<u>2000</u>	<u>2001</u>	<u>2002 Request</u>
BA in millions .....	\$3.5	\$2.6	\$2.6

This program supports projects that provide recreation and related activities for individuals with disabilities to aid in their employment, mobility, independence, socialization, and community integration. The request will support 11 new projects and 15 ongoing projects.

#### Protection and Advocacy of Individual Rights

	<u>2000</u>	<u>2001</u>	<u>2002 Request</u>
BA in millions .....	\$11.9	\$14.0	\$14.0

This program supports systems in each State to protect and advocate for the legal and human rights of individuals with disabilities. These systems pursue legal and administrative remedies to ensure the protection of the rights of individuals with disabilities under Federal law and provide information on and referrals to programs and services for individuals with disabilities. The request will provide services to approximately 80,300 individuals with disabilities.

#### Projects with Industry (PWI)

	<u>2000</u>	<u>2001</u>	<u>2002 Request</u>
BA in millions .....	\$22.1	\$22.1	\$22.1

This program funds projects that help individuals with disabilities obtain employment and advance their careers in the competitive labor market. PWI promotes the involvement of business through Business Advisory Councils that participate in project policymaking and provide advice on available jobs and training requirements. In fiscal year 2000, PWI placed



over 13,000 individuals with disabilities in competitive employment. Most of the individuals served through this program are considered difficult to place due to significant disability or extended unemployment (at least 6 months at time of project entry). The request would support about 101 projects, including about 80 new awards and 21 continuation projects.

#### Supported Employment State Grants

	<u>2000</u>	<u>2001</u>	<u>2002 Request</u>
BA in millions .....	\$38.2	\$38.2	\$38.2

This program makes formula grants to assist States in providing supported employment services for individuals with the most significant disabilities who have a goal of supported employment under the Vocational Rehabilitation (VR) State Grants program. Supported employment placements are achieved by augmenting short-term VR services with ongoing support provided by other public or non-profit organizations. This program supplements supported employment activities funded through VR State Grants. In 1999, for example, VR State Grant funds provided supported employment services to 49,228 individuals, while Supported Employment State Grant funds extended such services to an additional 39,046 individuals.

#### Independent Living (BA in millions)

	<u>2000</u>	<u>2001</u>	<u>2002 Request</u>
Independent Living State Grants .....	\$22.3	\$22.3	\$22.3
Centers for Independent Living .....	48.0	58.0	58.0
Services for Older Blind Individuals.....	<u>15.0</u>	<u>20.0</u>	<u>20.0</u>
Total .....	85.3	100.3	100.3

The request would continue services to individuals with disabilities to maximize their independence and productivity and to help integrate them into the mainstream of American society. The State Grants program awards formula grants to States to expand and improve independent living services and to support the operation of centers for independent living. The Centers for Independent Living program makes competitive grants to support a network of consumer-controlled, nonresidential, community-based centers that provide a broad range of independent living services. Services for Older Blind Individuals assists individuals aged 55 or older whose severe visual impairment makes competitive employment difficult to obtain, but for whom independent living goals are feasible.

#### Program Improvement

	<u>2000</u>	<u>2001</u>	<u>2002 Request</u>
BA in millions .....	\$1.9	\$1.9	\$0.9

Program improvement funds are used to support activities that increase program effectiveness, improve accountability, and enhance the Department's ability to address critical areas of national significance in achieving the purposes of the Rehabilitation Act. Most of the request for 2002 would continue support for the National Vocational Rehabilitation Technical Assistance Center. Funds also would be used for on-going performance measurement and dissemination activities.

#### Evaluation

	<u>2000</u>	<u>2001</u>	<u>2002 Request</u>
BA in millions .....	\$1.6	\$1.6	\$1.0

These funds are used to evaluate the impact and effectiveness of programs authorized by the Rehabilitation Act of 1973, as amended. A reduction in funding for the Evaluation program is proposed to reflect completion of the multi-year comprehensive study of the Vocational Rehabilitation State Grants program. The requested level of funding would enable the Department to continue support for one study to be initiated in 2001 and to begin two additional studies.

#### Helen Keller National Center

	<u>2000</u>	<u>2001</u>	<u>2002 Request</u>
BA in millions .....	\$8.6	\$8.7	\$8.7

This program serves individuals who are deaf-blind, their families, and service providers through a national headquarters Center with a residential training and rehabilitation facility; a network of 10 regional field offices which provide referral, counseling, and technical assistance; and an incentive grant program for public and private agencies that serve individuals with deaf-blindness. At the request level, the Center would provide direct services for approximately 90 clients at its residential training and rehabilitation program; serve 2,825 individuals, families, and agencies through its regional field offices; and provide incentive grants to 2 new programs.

#### National Institute on Disability and Rehabilitation Research (NIDRR)

	<u>2000</u>	<u>2001</u>	<u>2002 Request</u>
BA in millions .....	\$86.5	\$100.4	\$110.0

NIDRR supports a comprehensive and coordinated program of research, demonstration projects, and related activities dealing with the rehabilitation of persons of all ages with disabilities, including training of persons who provide rehabilitation services or who conduct rehabilitation research. NIDRR awards discretionary grants for support of rehabilitation research and training centers, rehabilitation engineering research centers, and disability and rehabilitation research projects that address diverse issues in rehabilitation, including the causes and consequences of disability and ways to improve educational, employment, and

independent living opportunities for persons with disabilities. Grants or contracts are also awarded for utilization and dissemination of research results and for training.

The request includes a \$10 million increase that would expand support for the Rehabilitation Engineering Research Centers (RERC) program, establish the Assistive Technology Development Fund, and strengthen the Interagency Committee on Disability Research. The increase for RERC would promote the design and development of innovative technologies to allow individuals with disabilities to achieve greater independence in all facets of life. Similarly, the Assistive Technology Development Fund would help stimulate technological innovation in the private sector and strengthen the role of small businesses in developing new assistive technologies and bringing them to market. Finally, funding for the Interagency Committee on Disability Research would promote greater cooperation across various government agencies in the development and execution of disability and rehabilitation research activities.

Assistive Technology  
(BA in millions)

	<u>2000</u>	<u>2001</u>	<u>2002</u> <u>Request</u>
Title I.....	\$30.0	\$26.1	\$20.9
Title III.....	<u>4.0</u>	<u>15.0</u>	<u>40.0</u>
Total for AT Act.....	34.0	41.1	60.9

The Assistive Technology Act (AT Act) supports grants to States to increase access to and funding for assistive technology devices and services by individuals with disabilities of all ages. Title I of the AT Act authorizes the Assistive Technology State Grant program, protection and advocacy services related to assistive technology, and technical assistance activities. The decrease for Title I reflects the statutory requirements that States are ineligible for funding under the AT State grant program after 13 years of participation and that States are reduced in their ninth and tenth years. Nine States are no longer eligible for funding in fiscal year 2002 and funding for 10 States would be reduced.

The request includes \$40 million, an increase of \$25 million over the 2001 level, for Title III of the Assistive Technology Act. Funds for the Alternative Financing Program are used to provide grants to States to establish, enhance, or maintain loan programs for individuals with disabilities to purchase needed assistive technology devices and services. An assistive technology device can dramatically improve the quality of life for individuals with disabilities and their ability to engage in productive employment, but assistive technologies can be prohibitively expensive and most people with disabilities do not have the private financial resources to purchase the assistive technology they need.

Access to Telework Fund

	<u>2000</u>	<u>2001</u>	<u>2002</u> <u>Request</u>
BA in millions .....	—	—	\$20.0

The goal of the Access to Telework Fund is to increase employment opportunities for individuals with disabilities by providing greater access to computers and other equipment individuals need to work from home if they choose. To accomplish this goal, the Access to Telework Fund would

provide Federal matching funds through discretionary grants to States. These grants would enable States to provide loans for individuals with disabilities to purchase computers and other equipment so that they can telework from home.

Special Institutions for Individuals with Disabilities  
(BA in millions)

	<u>2000</u>	<u>2001</u>	<u>2002 Request</u>
American Printing House for the Blind (APH) .....	\$10.1	\$12.0	\$12.0
National Technical Institute for the Deaf (NTID) .....	48.2	53.4	52.6
Gallaudet University .....	<u>86.0</u>	<u>89.4</u>	<u>89.4</u>
Total .....	144.3	154.8	154.0

The American Printing House for the Blind provides special education materials for students who are visually impaired, offers advisory services for consumers, and conducts applied research. At the request level, APH would provide free educational materials to approximately 57,500 persons with visual impairments at an average per student allotment of \$153.57, implement 8 initiatives to improve its technical assistance and outreach services, and conduct over 90 research projects.

The National Technical Institute for the Deaf provides postsecondary technical education and training for students who are deaf and graduate education and interpreter training for persons who are deaf or hearing. NTID also conducts research and provides training related to the education and employment of individuals who are deaf. The request would maintain funding for operations at the 2001 level and provide \$4.6 million for the final phase of a major project to renovate NTID dormitories. In 2002, NTID would provide education and training to approximately 1,120 undergraduate and technical students, 60 graduate students, and 90 interpreters for persons who are deaf.

Gallaudet University offers undergraduate and continuing education programs for persons who are deaf, and graduate programs for persons who are deaf or hearing. Gallaudet also maintains and operates the Kendall Demonstration Elementary School and Model Secondary School for the Deaf. In 2002, the University will serve approximately 1,320 undergraduate and professional studies students, 700 graduate students, and 365 elementary and secondary education students.

## D. VOCATIONAL AND ADULT EDUCATION

In response to rapid changes in the economy and society, schools and colleges must adopt educational approaches that ensure that every student achieves rigorous academic knowledge, computer and other technical proficiency, and skills in problem-solving and communications. The Department's Vocational and Adult Education programs help Americans of all ages attain this needed combination of skills and abilities.

### Vocational Education (BA in millions)

	<u>2000</u>	<u>2001</u>	<u>2002 Request</u>
State Grants .....	\$1,055.7	\$1,100.0	\$1,100.0
Tech-Prep Education.....	106.0	106.0	106.0
Tech-Prep Demonstrations .....	—	5.0	—
National Programs.....	17.5	17.5	12.0
Occupational and Employment Information ..	9.0	9.0	—
Tribally Controlled Postsecondary Vocational Institutions .....	<u>4.6</u>	<u>5.6</u>	<u>5.6</u>
Total .....	1,192.8	1,243.1	1,223.6

Vocational Education programs develop the academic, vocational, and technical skills of students in high schools and community colleges. The 1998 Carl D. Perkins Vocational and Technical Education Act helps States achieve this goal by focusing on the integration of academic and vocational instruction; student attainment of challenging academic, vocational, and technical standards; and development of stronger linkages between education and employers. The Act also greatly increases accountability for results: State and local recipients use program funds to track and measure the educational and workplace outcomes for participating students, and States that exceed their performance goals will be eligible to receive “incentive awards” from the Federal Government.

The request for Vocational Education is \$1.2 billion, including level funding for State Grants to support State, high school, and community college activities to improve the quality of vocational education and develop systems to track and report post-program education and employment outcomes for vocational students.

The budget also includes level funding for Tech-Prep Education, which provides State formula grants for programs that link secondary and postsecondary vocational and academic instruction to prepare individuals for high-tech careers. Tech-Prep programs emphasize the development of (and teacher training in) applied instructional methods for academic classes; more successful entry into postsecondary education; and an increased emphasis on academics, especially math, science, and technology.

Separate funding is not included for Tech-Prep Demonstrations or for the Occupational and Employment Information activity. States may use Tech-Prep State grants to carry out demonstrations, and can obtain resources for occupational and employment information through other programs.

Under the request, \$12 million for National Programs would continue high-priority research and development activities to assess and improve vocational education programs nationally. Funds support the National Centers for Research and Dissemination in Career and Technical Education and special initiatives in such areas as high school reform, educator professional development, and the development of high-tech “career clusters” that provide curriculum in a broad occupational area.

Finally, the 2002 request includes \$5.6 million for Tribally Controlled Postsecondary Vocational Institutions, the same as the previous year, to support competitive grants to institutions that provide postsecondary vocational and technical education to Native American students.

Adult Education  
(BA in millions)

	<u>2000</u>	<u>2001</u>	<u>2002</u> <u>Request</u>
State Grants .....	\$450.0	\$540.0	\$540.0
National Institute for Literacy .....	6.0	6.5	6.6
National Leadership Activities .....	<u>14.0</u>	<u>14.0</u>	<u>9.5</u>
Total .....	470.0	560.5	556.1

Many Americans lack the basic literacy skills needed to be successful citizens and workers in our increasingly technology-based economy. The 1994 National Adult Literacy Survey found that between 23 and 27 million adults performed at or below the fifth-grade level in reading and math. Adults who function at the lowest levels of literacy tend to live in poverty, drop out of school, and, if employed, have low-paying jobs. Poor literacy skills affect not only these adults, but their children as well; numerous studies have shown that the educational level of the parent, especially the mother, is the most influential factor in children’s success in school.

The Department’s Adult Education programs fund State and local activities that enable adults to become literate and complete high school, so that they can succeed as workers, parents, and citizens. Access to Adult Education programs is particularly important for recent immigrants and other limited English proficient adults who wish to learn English and further their education to obtain a GED, attend college, or improve their lifelong learning potential. One-third of recent immigrants do not have a high school diploma or its equivalent, and this population has a significantly lower average income and a higher unemployment rate than native-born Americans.

The Adult Education and Family Literacy Act of 1998 gave priority to the delivery of adult education services that make effective use of technology, are of sufficient intensity to bring about substantial learning gains, have measurable goals for client outcomes, and are based on research. Also, the Adult Education State Grants authority now includes a strengthened emphasis on program accountability. States, in cooperation with the Department, are required to set annual performance goals in such areas as making improvements in participants’ literacy skills, receipt of high school diplomas or equivalent credentials, and placement in and completion of postsecondary education and training programs. States that exceed their goals are eligible for performance bonuses.

The request for the State Grants program provides level funding to continue State adult education activities and the set-aside of \$70 million for English literacy and civics education grants, which help States meet the increased need for adult education services among recent immigrants. The \$6.6 million request for the National Institute for Literacy supports communication, capacity-building, and policy analysis activities in support of the national goal that all Americans will be literate and able to compete in the workforce. Institute activities have included developing a Web-based literacy information and communication system, supporting the development of content standards for adult education programs, and funding activities that focus on education of adults with learning disabilities.

In addition, the budget request provides \$9.5 million to continue high-priority research, demonstration, and evaluation initiatives funded under National Leadership Activities. In addition to evaluation activities, these funds support technical assistance to States on program accountability and effectiveness, and development and dissemination of staff development and training models to improve teaching.

#### State Grants for Incarcerated Youth Offenders

	<u>2000</u>	<u>2001</u>	<u>2002 Request</u>
BA in millions .....	\$14.0	\$17.0	\$17.0

This program provides formula grants to State correctional agencies to assist and encourage incarcerated youths to acquire functional literacy, life, and job skills through postsecondary education, employment counseling, and related services. At the requested level, States would be able to serve approximately 6,700 youth offenders. States use funds to improve academic and vocational achievement; increase participation in job placement programs; lower recidivism rates; and increase job retention among youth offenders.

This program provides services that are not provided through other corrections education programs. Although the Adult Education and Family Literacy Act includes a set-aside for corrections education, funds under the set-aside can be used only for basic education, special education programs, English literacy programs, and secondary school credit programs; they may not be used for postsecondary education and postsecondary vocational training.

#### Literacy Programs for Prisoners

	<u>2000</u>	<u>2001</u>	<u>2002 Request</u>
BA in millions .....	\$5.0	\$5.0	\$5.0

This program provides discretionary grants to State and local correctional agencies to establish and operate programs that reduce recidivism through the improvement of life skills. The request would enable States to maintain services to help meet the literacy needs of incarcerated youths. Those released from prisons are often unable to find employment, partly due to a lack of job and literacy skills, and are likely to be re-incarcerated. Particularly in view of the high cost of imprisonment, the request is a preventive and proactive way to address this problem.

## E. POSTSECONDARY EDUCATION

### Overview

The 2002 budget reflects President Bush's commitment to higher education and equal access to a quality postsecondary education for all Americans. The request would increase funding for the Pell Grant program, the foundation of Federal need-based student financial assistance, by \$1 billion, as well as more than triple loan forgiveness benefits for math and science teachers in schools serving low-income populations. The request also includes increases for key programs that support minority-serving institutions.

Following are the highlights of the Administration's 2002 budget:

- Funding for the Pell Grant maximum would increase by \$1 billion to \$9.8 billion to increase access to postsecondary education for students from the neediest families. The request would support a maximum grant of \$3,850, the highest ever and up \$100 over the 2001 level. More than 4.0 million students would receive Pell grants.
- Student financial aid available, excluding the consolidation of existing student loans, would expand to \$49.4 billion, an increase of \$2.2 billion or 4.6 percent over the 2001 level. The total number of recipients of grant, loan, and work-study assistance would grow by 46,000 to 8.2 million students and parents.
- The request would expand loan forgiveness for math and science teachers serving low-income communities from \$5,000 to a maximum of \$17,500. Schools in such communities are often forced to hire teachers who lack certification in these subjects or to assign teachers who are teaching "out-of-field." This proposal would help these schools recruit and retain qualified math and science teachers who have majored or minored in the subjects they teach.
- A \$15 million increase for the Aid for Institutional Development (Title III) programs demonstrates the Administration's commitment to assisting institutions that enroll a large proportion of minority and disadvantaged students. The request includes a \$12 million increase for Strengthening Historically Black Colleges and Universities and a \$3 million increase for Strengthening Historically Black Graduate Institutions.
- A \$4 million increase for Developing Hispanic-Serving Institutions would expand and enhance support to postsecondary education institutions that serve large percentages of Hispanic students. This program is part of the Department efforts to increase academic achievement, high school graduation, postsecondary participation, and life-long learning among Hispanic Americans.
- A \$50 million increase for TRIO would support substantial increases for the Talent Search and Educational Opportunity Centers programs to increase the number of projects. The increase also would improve the level of outreach and support services provided by other TRIO programs that help low-income students enroll in and complete a college education.



### Student Aid Summary Tables

<u>Budget Authority (\$ in millions)</u>	<u>2000</u>	<u>2001</u>	<u>2002 Request</u>
Pell Grants .....	\$7,639.7	\$8,756.0	\$9,756.0
Supplemental Grants <sup>1</sup> .....	631.0	691.0	691.0
Work-Study .....	934.0	1,011.0	1,011.0
Perkins Loans .....	130.0	160.0	160.0
Leveraging Educational Assistance			
Partnerships <sup>2</sup> .....	40.0	55.0	55.0
Loan Forgiveness for Child Care Providers ..	—	1.0	1.0
Federal Family Education Loans <sup>3</sup> .....	4,586.6	-827.7	4,276.1
Federal Direct Loans <sup>4</sup> .....	<u>-2,775.9</u>	<u>-392.0</u>	<u>-631.7</u>
 Total .....	 11,185.4	 9,454.3	 15,318.4

<sup>1</sup> Fiscal Year 2000 includes \$10 million in emergency funds reserved for disaster relief.

<sup>2</sup> Includes \$10 million in 2000 and \$25 million in 2001 and 2002 for Special LEAP.

<sup>3</sup> Budget authority requested for FFEL does not include the liquidating account. The 2001 figure is negative because of a \$4.7 billion downward re-estimate largely attributable to revised default collection estimates in prior cohorts reflecting actual trends in default recoveries that exceed earlier experience.

<sup>4</sup> Costs reflect Federal administrative funding for Direct Loans and FFEL program management, including account maintenance fee payments to guaranty agencies. For Direct Loans, the value of future repayments and collections on defaults will exceed default costs and in-school interest subsidies. Therefore, no new BA is required.

#### Aid Available to Students (\$ in millions)<sup>1</sup>

	<u>2000</u>	<u>2001</u>	<u>2002 Request</u>
Pell Grants .....	\$7,925	\$9,172	\$9,562
Campus-based Programs:			
Supplemental Grants .....	799	875	875
Work-Study .....	1,120	1,215	1,215
Perkins Loans .....	<u>1,084</u>	<u>1,113</u>	<u>1,113</u>
Subtotal, Campus-based programs .....	<u>3,003</u>	<u>3,203</u>	<u>3,203</u>
Leveraging Educational Assistance			
Partnerships <sup>2</sup> .....	90	135	135
Loan Forgiveness for Child Care Providers...	—	1	1
Federal Family Education Loans .....	22,711	23,903	25,111
Federal Direct Loans .....	10,347	10,860	11,414
Consolidation Loans <sup>3</sup> .....	<u>11,064</u>	<u>14,238</u>	<u>11,390</u>
 Total .....	 55,140	 61,512	 60,816

<sup>1</sup> Shows total aid generated by Department programs, including Federal Family Education Loan capital, Perkins Loan capital from institutional revolving funds, and institutional and State matching funds.

<sup>2</sup> Reflects only the LEAP program's statutory State matching requirements. State maintenance-of-effort and discretionary contributions above the required match significantly increase the number of grant recipients, the amount of available aid, and the average award.

<sup>3</sup> New FFEL and Direct Loans issued to consolidate existing loans.

Number of Student Aid Awards  
(in thousands)

	<u>2000</u>	<u>2001</u>	<u>2002 Request</u>
Pell Grants .....	3,853	3,969	4,032
Campus-based programs:			
Supplemental Grants .....	1,087	1,190	1,190
Work-Study .....	912	990	990
Perkins Loans .....	<u>677</u>	<u>695</u>	<u>695</u>
Subtotal, Campus-based programs .....	2,676	2,875	2,875
Leveraging Educational Assistance			
Partnerships <sup>1</sup> .....	90	135	135
Loan Forgiveness for Day Care Providers <sup>2</sup> ....	0	0	0
Federal Family Education Loans .....	5,879	6,119	6,289
Federal Direct Loans .....	2,739	2,745	2,825
Consolidation Loans .....	570	725	584
<u>Total awards .....</u>	<u>15,807</u>	<u>16,568</u>	<u>16,740</u>

<sup>1</sup> Reflects only the LEAP program's statutory State matching requirements. State maintenance-of-effort and discretionary contributions above the required match significantly increase the number of grant recipients, the amount of available aid, and the average award.

<sup>2</sup> Due to the limited funding level available for this demonstration program, annual recipients are projected to total fewer than 500.

Number of Postsecondary Students Aided by Department Programs

Unduplicated Count .....	7,778	8,145	8,191
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**Student Aid Overview**

The Administration's 2002 proposals for student aid focus on increasing support for the need-based Pell Grant program. In addition to this \$1 billion new investment in fostering access to the benefits of postsecondary education for low- and middle-income students and families, the Administration is also proposing to more than triple loan forgiveness benefits for mathematic and science teachers in schools serving low-income populations. Lastly, the Administration will commit over \$900 million in administrative funding to ensure the efficient, cost-effective delivery of over \$60 billion in Federal student aid. Most of this is payments to private-sector contractors or guaranty agencies that help administer the student loan programs.

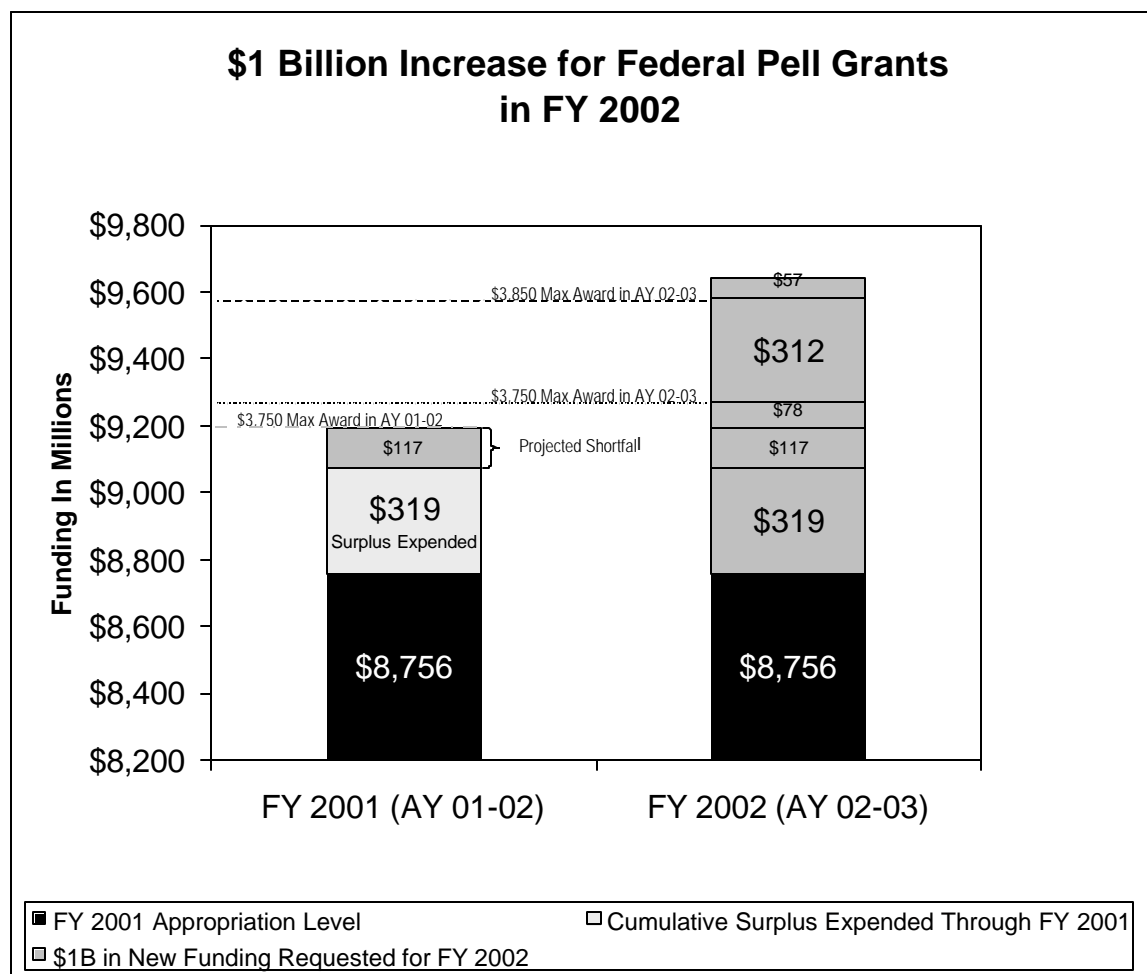
## Pell Grants

	<u>2000</u>	<u>2001</u>	<u>2002 Request</u>
BA in millions .....	\$7,639.7	\$8,756.0	\$9,756.0
Program costs (\$ in millions) .....	7,944.0	9,192.0	9,582.0
Aid available (\$ in millions) .....	7,925	9,172	9,562
Recipients (in thousands) .....	3,853	3,969	4,032
Maximum grant .....	\$3,300	\$3,750	\$3,850
Average grant .....	\$2,057	\$2,311	\$2,371

The Pell Grant program helps ensure financial access to postsecondary education by providing grant aid to low- and middle-income undergraduate students and is the most need-focused of the Department's student aid programs. Individual Pell Grant awards vary according to the financial circumstances of students and their families.

The Administration is proposing to increase the Pell Grant maximum award to \$3,850 in 2002, up from \$3,750 in 2001. This \$100 increase would benefit an estimated 4 million disadvantaged students, expanding access to postsecondary education for the neediest students.

Recent program data indicate that more students are applying for Pell grants, and more of those applying are eligible to receive aid, than was previously forecast. As a result, the cost of funding awards for the 2001-2002 award year increased by \$117 million since 2001 funds were appropriated; this additional need for 2001 would be funded from the proposed \$1 billion increase for 2002. In addition, the 2001 appropriation used \$319 million in surplus funds from prior years to fully fund the maximum award level of \$3,750. No surplus is expected to be available to supplement 2002 appropriations, therefore \$436 million of the proposed \$1 billion increase for 2002 is needed to maintain the previous year's funding level, replacing the \$117 million in supplemental funds and \$319 million surplus used in 2001. An additional \$78 million is needed to fully fund a \$3,750 maximum in 2002. Increasing the maximum award by \$100, to \$3,850, for academic year 2002-2003 requires \$312 million. The remaining \$57 million of the proposed \$1 billion would be set aside to account for the possibility of further growth in program costs. The allocation of the proposed \$1 billion increase is shown in gray in the following table:



### Campus-Based Programs

The Supplemental Educational Opportunity Grant, Work-Study, and Perkins Loan programs are collectively referred to as the “campus-based” programs because participating institutions are provided with funding that they are responsible for administering on their own campuses. These programs allow financial aid administrators considerable flexibility in the packaging of financial aid awards to best meet the needs of their students.

#### Supplemental Educational Opportunity Grants

	<u>2000</u>	<u>2001</u>	<u>2002 Request</u>
BA in millions .....	\$631.0 <sup>1</sup>	\$691.0	\$691.0
Aid available (in millions) .....	799	875	875
Recipients (in thousands) .....	1,087	1,190	1,190
Average award .....	\$735	\$735	\$735

<sup>1</sup> Includes \$10 million in emergency funds reserved for disaster relief.

The Supplemental Educational Opportunity Grant (SEOG) program provides grant assistance of up to \$4,000 per academic year to undergraduate students with demonstrated financial need. The \$691 million request would leverage \$184 million in institution matching funds to make available a total of approximately \$875 million in grants to an estimated 1.2 million recipients.

SEOG funds are allocated to institutions on the basis of a statutory formula, and a 25 percent institutional match is required. Awards are determined at the discretion of institutional financial aid administrators, although schools are required to give priority to Pell Grant recipients and students with the lowest expected family contributions.

#### Work-Study

	<u>2000</u>	<u>2001</u>	<u>2002 Request</u>
BA in millions .....	\$934.0	\$1,011.0	\$1,011.0
Aid available (\$ in millions) .....	1,120	1,215	1,215
Recipients (in thousands) .....	912	990	990
Average award .....	\$1,228	\$1,228	\$1,228

The Work-Study program provides grants to participating institutions to pay up to 75 percent of the wages of needy undergraduate and graduate students working part-time to help pay their college costs. The school or other eligible employer provides the remaining 25 percent of the student's wages. Funds are allocated to institutions on the basis of a statutory formula, and individual award amounts to students are determined at the discretion of institutional financial aid administrators.

The program encourages institutions to use Work-Study funds to promote community service activities. Institutions must use at least 7 percent of their Work-Study allocations to support students working in community service jobs, and such activities must include at least one reading tutor or family literacy project. In addition, the Department waives the 25 percent employer-matching requirement for students who work as reading or math tutors.

#### Perkins Loans

(BA in millions)

	<u>2000</u>	<u>2001</u>	<u>2002 Request</u>
Federal Capital Contributions .....	\$100.0	\$100.0	\$100.0
Loan Cancellation Payments .....	30.0	60.0	60.0
Loan volume (\$ in millions) .....	1,084	1,113	1,113
Number of borrowers (in thousands) .....	677	695	695
Average loan .....	\$1,600	\$1,600	\$1,600

The Perkins Loan program provides long-term, low-interest loans to undergraduate and graduate students with demonstrated financial need at 2,000 institutions. Total assets of \$7.2 billion represent nearly 40 years of Federal capital contributions, institutional matching funds, repayments on previous loans, and reimbursements for cancellations.

As in past years, most funding for new loans will come from the repayment of outstanding loans to the program's institutional revolving funds. The \$100 million request and the resources from borrower repayments on the outstanding loan portfolio to institutional revolving funds will be sufficient to provide over \$1.1 billion in new Perkins loans to 695,000 students.

Perkins Loan borrowers pay no interest during in-school, grace, and deferment periods, and are charged 5 percent interest during the principal repayment period. Annual borrowing limits are \$4,000 for undergraduate students and \$6,000 for graduate and professional students.

Perkins Loan Cancellations reimburses institutional revolving funds for borrowers whose loan repayments are canceled in exchange for undertaking certain public service employment, such as teaching in Head Start programs, full-time law enforcement, or nursing. Cancellations have increased significantly in recent years due to the expansion of eligibility by the Higher Education Amendments of 1992 and 1998.

#### Leveraging Educational Assistance Partnerships

	<u>2000</u>	<u>2001</u>	<u>2002 Request</u>
BA in millions .....	\$40.0	\$55.0	\$55.0
Aid available in millions <sup>1</sup> .....	90.0	135.0	135.0
Maximum grant .....	\$5,000	\$5,000	\$5,000
Recipients .....	90,000	135,000	135,000
Average Grant.....	\$1,000	\$1,000	\$1,000

<sup>1</sup> Reflects only the LEAP program's statutory dollar-for-dollar State matching requirement for BA up to \$30 million and the two-to-one State matching requirement under Special LEAP for BA in excess of \$30 million. State maintenance-of-effort and discretionary contributions above the required match, which are not reflected, significantly increase the number of grant recipients, the amount of available aid, and the average award.

The Leveraging Educational Assistance Partnership (LEAP) program provides Federal matching funds to encourage States to retain and expand need-based State grant programs, and to establish community service programs to help financially needy students pay for college. Appropriations in excess of \$30 million are reserved for a separate program, Special LEAP, which requires a two-to-one match (rather than the dollar-for-dollar requirement of the regular program) and supports a variety of allowable activities including expanded LEAP awards, scholarships, and early intervention programs.

#### Loan Forgiveness for Child Care Providers

	<u>2000</u>	<u>2001</u>	<u>2002 Request</u>
BA in millions .....	—	\$1.0	\$1.0
Aid available in millions.....	—	1.0	1.0
Recipients .....	—	200	200
Average Grant.....	—	\$5,000	\$5,000

The Loan Forgiveness for Child Care Providers Program was authorized under the Higher Education Amendments of 1998 to encourage more highly trained individuals to enter and remain in the early child care profession. Under this demonstration program, Stafford and Unsubsidized Stafford Loan borrowers under the Federal Family Education Loan (FFEL) Program and the William D. Ford Direct Loan (Direct Loan) Program who have earned degrees in early childhood education and worked for two full years as child care providers in low-income communities may have a portion of their loan obligation forgiven. Additional forgiveness is awarded for each consecutive year of service, up to the total of the borrower's outstanding balance after five full years. Forgiveness is granted on a first-come, first-served basis. The Department will evaluate the effectiveness of this program in achieving its statutory goals.

#### Federal Family Education Loans and Direct Loans

	<u>2000</u>	<u>2001</u>	<u>2002 Request</u>
Federal Family Education Loans			
New Loan Subsidies (BA) .....	\$3,762.6	\$3,852.1	\$4,226.5
Re-estimate of Prior Loans <sup>1</sup> .....	776.0	-4,727.8	—
Federal Administration .....	48.0	48.0	49.6
Total, FFEL Program BA .....	4,586.6	-827.7	4,276.1
FFEL Liquidating Account			
New Budget Authority <sup>2</sup> .....	-1,188.4	-741.8	-604.5
Direct Loans			
New Loan Subsidy (BA) <sup>3</sup> .....	-1,068.7	-1,643.2	-1,411.7
Re-estimate of Prior Loans <sup>1</sup> .....	-2,442.3	481.2	—
Federal Administration <sup>4</sup> .....	735.0	770.0	780.0
Total, New Budget Authority .....	-2,775.9	-392.0	-631.7
Total, Student Loans (BA) .....	622.3	-1961.5	3,489.9

<sup>1</sup> Under Credit Reform, the subsidy amounts needed for active loan cohorts are re-estimated annually in both Direct Loans and FFEL to account for changes in actual data compared to projections. In 2000, the Direct Loans re-estimate primarily reflects higher interest rate projections leading to larger repayment estimates, while the FFEL re-estimate reflects higher interest rate costs. The 2001 re-estimate is largely attributable to revised default collection estimates in prior cohorts reflecting actual trends in default recoveries that exceed earlier experience.

<sup>2</sup> This account reflects costs associated with loans made prior to 1992. Budget authority is negative because collections on those loans will exceed default and in-school interest costs.

<sup>3</sup> No new budget authority is required for Direct Loans because the value of future repayments of interest and collections on defaults will exceed default costs and in-school interest subsidies.

<sup>4</sup> These costs include loan servicing, collection, and other administrative costs associated with Direct Loans, and student aid management costs such as application processing as well as other ADP contracts, including the National Student Loan Data System. In 2002, about 23 percent of these costs reflect payments to FFEL guaranty agencies.

New loan volume (in millions)

	<u>2000</u>	<u>2001</u>	<u>2002 Request</u>
Federal Family Education Loans			
New loans .....	\$22,712	\$23,903	\$25,110
Consolidation loans .....	<u>5,695</u>	<u>5,948</u>	<u>6,083</u>
Subtotal, FFEL .....	28,407	29,851	31,193
Direct Loans			
New loans .....	10,348	10,860	11,414
Consolidation loans .....	<u>5,369</u>	<u>8,290</u>	<u>5,307</u>
Subtotal, Direct Loans .....	15,717	19,150	16,721
Total .....	44,124	49,001	47,914

Number of loans (in thousands)

Federal Family Education Loans			
New loans .....	5,878	6,119	6,289
Consolidation loans .....	<u>298</u>	<u>306</u>	<u>309</u>
Subtotal, FFEL .....	6,176	6,425	6,598
Direct Loans			
New loans .....	2,739	2,745	2,826
Consolidation Loans .....	<u>272</u>	<u>419</u>	<u>275</u>
Subtotal, Direct Loans .....	3,011	3,164	3,101
Total .....	9,187	9,589	9,699

The Department of Education operates two major student loan programs: the Federal Family Education Loan (FFEL) program and the William D. Ford Federal Direct Loan (Direct Loan) program. The Administration is committed to these maintaining both student loan delivery systems, allowing individual institutions to choose which best meets their needs and the needs of their students.

The FFEL program makes loan capital available to students and their families through some 4,100 participating private lenders. There are 36 active State and private nonprofit guaranty agencies which administer the Federal guarantee protecting FFEL lenders against losses related to borrower default. These agencies also collect on defaulted loans and provide other services to lenders. The FFEL program accounts for about two-thirds of student loan volume.

The Direct Loan program was created by the Student Loan Reform Act of 1993. Under this program, the Federal Government uses Treasury funds to provide loan capital directly to schools, which then disburse loan funds to students. The Direct Loan program began operation in academic year 1994-95 and now accounts for about one third of student loan volume.



### Basic Loan Program Components

Both FFEL and Direct Loans feature four types of loans with similar fees and maximum borrowing amounts:

- Stafford Loans are subsidized, low-interest loans based on financial need. The Federal Government pays the interest while the student is in school and during certain grace and deferment periods. The interest rate varies annually and is capped at 8.25 percent. For July 1, 2000 through June 30, 2001, the rate for borrowers in repayment has been set at 8.19 percent.
- Unsubsidized Stafford Loans are offered at the same low rates as subsidized Stafford Loans, but the Federal Government does not pay interest for the student during in-school, grace, and deferment periods.
- PLUS Loans are available to parents of dependent undergraduate students at slightly higher rates than Stafford or Unsubsidized Stafford Loans, and the Federal Government does not pay interest during in-school, grace, and deferment periods. The interest rate varies annually and is capped at 9 percent. The 2000-2001 rate is 8.99 percent.
- Consolidation Loans allow borrowers with multiple student loans who meet certain criteria to combine their obligations and extend their repayment schedules. The rate for both FFEL and Direct Consolidation Loans is based on the weighted average of loans consolidated rounded up to the nearest 1/8<sup>th</sup> of a percent.

### **The 2002 Request**

The 2002 budget request for student loans reflects the proposal to expand loan forgiveness for mathematics and science teachers. Currently, teachers in qualified low-income schools who were new borrowers as of October 1998 and teach for five consecutive years are eligible for up to \$5,000 in loan forgiveness. The Administration proposes to substantially increase the amount of forgiveness up to \$17,500 for individuals who major or minor in math or science and who teach those subjects in high-need schools. This proposal is estimated to cost about \$12.8 million in additional subsidy for 2002 and prior cohorts.

### **Student Aid Program Management**

The Department would spend \$910 million in 2002 to administer the Federal postsecondary education programs and pay account maintenance fees to FFEL guaranty agencies, an increase of \$15 million over the 2001 level. Of these funds, \$730 million would support Department administrative activities, primarily for private-sector contracts to administer the student financial assistance programs, and \$180 million would be paid to guaranty agencies. These funds, which make up more than 60 percent of the Department's overall administrative budget, are drawn from 3 sources: mandatory funding authorized under Section 458 of the Higher Education Act (85.7 percent of total funds available), the discretionary Program Administration account (8.8 percent), and a discretionary appropriation covering a portion of administrative costs for the FFEL program (5.5 percent). For more details, see Departmental Management.

In recognition of the importance of these management responsibilities, in 1998 Congress and the Department designated Student Financial Assistance as the Federal government's first performance-based organization. The Department is in the process of implementing a comprehensive modernization blueprint to create an integrated, streamlined system that delivers student aid more quickly and efficiently and eliminates costly, outmoded paper processes.

In 2002, a primary focus will be continued improvements in the delivery of student aid, integration of computer systems, and reduction in student loan default costs. Although the cohort default rate has been reduced from 22.4 percent to 6.9 percent, the cost of defaults remain high, and are targeted for reduction.

The Office of Postsecondary Education (OPE) maintains primary responsibility for developing student aid and higher education policy, drafting regulations, and conducting negotiated rulemaking, while at the same time providing national leadership and fostering strategic innovations to ensure access to postsecondary education, promote high standards and achievement for all postsecondary students, and expand linkages with other areas of national interest.

### **Higher Education Programs Overview**

The increasing racial and ethnic diversity among our Nation's population is creating new challenges in ensuring equal access to education. One such challenge is that despite the availability of significant need-based student financial aid, minority, low-income and other disadvantaged students continue to lag behind their non-minority, more affluent peers in enrolling in and graduating from postsecondary education institutions. To overcome this divide, the Administration's budget provides increased funding for programs that provide institutional support, student services, quality reforms and improvements to help minority and other disadvantaged students prepare for and succeed in college.

The 2002 request provides a \$15 million increase in the Aid for Institutional Development programs to support improvements in the academic quality, institutional management, and fiscal stability of Historically Black Colleges and Universities and Historically Black Graduate Institutions.

The request would also increase funding by \$4 million for Developing Hispanic-serving Institutions programs to expand and enhance the academic offerings, program quality, and institutional stability of colleges and universities that serve large percentages of Hispanic students.

Funding for the Federal TRIO Programs would increase by \$50 million, or 7 percent, under the 2002 request to strengthen outreach and support services to improve the participation and completion rates of disadvantaged students in college and doctoral studies.

Title III: Aid for Institutional Development  
(BA in millions)

	<u>2000</u>	<u>2001</u>	<u>2002 Request</u>
Strengthening Institutions (Part A).....	\$60.3	\$73.0	\$73.0
Strengthening Historically Black Colleges and Universities (Part B).....	148.8	185.0	197.0
Strengthening Historically Black Graduate Institutions (Part B).....	31.0	45.0	48.0
Strengthening Tribally Controlled Colleges and Universities (Part A) .....	6.0	15.0	15.0
Strengthening Alaska Native and Native Hawaiian-serving Institutions (Part A) .....	5.0	6.0	6.0
Minority Science and Engineering Improvement (Part E) .....	<u>7.5</u>	<u>8.5</u>	<u>8.5</u>
Total .....	\$258.5	\$332.5	\$347.5

The 2002 request for Title III demonstrates the Administration's strong commitment to ensuring access to high quality postsecondary education for the Nation's minority and disadvantaged students. A \$15 million or 4.5 percent overall increase in Title III funding would help provide equal educational opportunity and strong academic programs for such students, especially African Americans. Historically, African-American students have lagged behind other students in overall educational attainment, including the acquisition of advanced degrees in science, engineering, and mathematics. The request also contributes to greater financial stability for the institutions that serve these students, including the historically black colleges and universities and historically black graduate institutions.

Developing Hispanic-serving Institutions

	<u>2000</u>	<u>2001</u>	<u>2002 Request</u>
BA in millions .....	\$42.3	\$68.5	\$72.5

A \$4.0 million increase would expand and enhance the academic quality, institutional management, fiscal stability, and self-sufficiency of the colleges and universities that enroll large percentages of Hispanic students. This request would fund approximately 162 grants, including 10 new awards. Hispanic Americans, expected to become the largest ethnic group in the United States, continue to lag behind their non-Hispanic peers in overall educational achievement. This request demonstrates the Administration's commitment to ensuring that Hispanic students have access to high quality postsecondary education and to closing the gaps between Hispanic and majority students in areas such as, academic achievement, high school graduation, postsecondary enrollment and life-long learning.

International Education and Foreign Language Studies  
(BA in millions)

	<u>2000</u>	<u>2001</u>	<u>2002 Request</u>
Domestic programs .....	\$62.0	\$67.0	\$67.0
Overseas programs .....	6.7	10.0	10.0
Institute for International Public Policy .....	<u>1.0</u>	<u>1.0</u>	<u>1.0</u>
Total .....	69.7	78.0	78.0

The budget request provides continued support for Domestic and Overseas programs that strengthen the American education system in the area of foreign languages and international studies. These programs support comprehensive language and area study centers within the United States, research and curriculum development, opportunities for American scholars to study abroad, and activities to increase the number of underrepresented minorities in international service. In addition to promoting general understanding of the peoples of other countries, the Department's international programs also serve important economic, diplomatic, defense, and other security interests of the United States. The request would fund approximately 459 grants to institutions of higher education and directly support over 1,025 individuals through fellowships and projects.

Fund for the Improvement of Postsecondary Education (FIPSE)

	<u>2000</u>	<u>2001</u>	<u>2002 Request</u>
BA in millions .....	\$75.0	\$146.7 <sup>1</sup>	\$51.2

<sup>1</sup> Includes \$115.5 million in one-time appropriations for special projects.

FIPSE supports exemplary, locally developed projects that are models for innovative reform and improvement in postsecondary education. The 2002 request would fund 199 new and continuing projects under the Comprehensive Program in a variety of priority areas including containing the cost of postsecondary education and disseminating proven reforms. Additionally, the request would continue support for the international consortia programs and 63 existing Learning Anytime Anywhere Partnerships that focus on distance learning. The 2002 request does not include funds for individual, one-time projects earmarked in the 2001 appropriation.

Demonstration Projects to Ensure Quality Higher Education for Students with Disabilities

	<u>2000</u>	<u>2001</u>	<u>2002 Request</u>
BA in millions .....	\$5.0	\$6.0	—

This program funds model demonstration projects that provide technical assistance and professional development activities for faculty and administrators in institutions of higher education in order to improve the quality of education for students with disabilities. No funds are requested because these activities can be funded under other programs, including FIPSE and the Research and Innovation program in the Special Education account.

Federal TRIO Programs  
(BA in millions)

	<u>2000</u>	<u>2001</u>	<u>2002</u> <u>Request</u>
Student Support Services .....	\$183.3	\$243.4	\$255.6
Upward Bound .....	241.9	252.4	267.2
Upward Bound Math/Science .....	30.1	31.0	32.0
Talent Search .....	100.5	103.7	125.5
Educational Opportunity Centers .....	30.5	31.4	37.9
McNair Postbaccalaureate Achievement .....	34.9	35.9	37.0
Staff Training .....	6.0	6.1	6.3
Dissemination Partnership Projects .....	5.2	5.3	5.5
Technology Supplements .....	8.9	9.0	6.0
Evaluation .....	1.5	1.5	1.5
Administration/Peer Review .....	2.2	2.5	2.5
Undistributed <sup>1</sup> .....	—	7.8	3.0
 Total .....	 645.0	 730.0	 780.0

<sup>1</sup> No initial decision has been made on the allocation of these funds.

The Federal TRIO Programs fund postsecondary education outreach and student support services for disadvantaged individuals to help them enter and complete postsecondary education programs. The 2002 request would support new competitions in the Talent Search and Educational Opportunity Centers programs, boosting the total number of awards by 10 percent and increasing the intensity of services by 10 percent. Additionally, the request would provide increases for all projects to maintain current service levels and would continue or increase support for the special funding priorities initiated over the last two years. These include improving recruitment efforts to serve higher-risk students in Upward Bound, providing work-study opportunities for 25 percent of Upward Bound students, providing grant aid and summer services to increase retention among the most needy Student Support Services students, and providing technology supplements to all TRIO projects. The TRIO programs would serve a total of nearly 785,000 disadvantaged students.

Gaining Early Awareness and Readiness for Undergraduate Programs (GEAR UP)  
(BA in millions)

	<u>2000</u>	<u>2001</u>	<u>2002</u> <u>Request</u>
State Grants .....	\$66.2	\$96.5	\$75.3
Partnership Grants .....	131.2	195.5	150.5
21st Century Scholar Certificates .....	0.2	0.2	0.2
Evaluation .....	1.5	1.8	1.0
Peer Review .....	0.9	1.0	—
 Total .....	 200.0	 295.0	 227.0

GEAR UP provides mentoring, tutoring, academic and career counseling, and college scholarships to low-income elementary and secondary school students to give them the skills and encouragement they need to successfully pursue postsecondary education. The 2002 request would provide funding only for continuing cohorts of students, but new cohorts would be added in projects that are able to do so at no cost to the Government. GEAR UP would serve a total of 1.15 million low-income students.

Scholarships and Fellowships  
(BA in millions)

	<u>2000</u>	<u>2001</u>	<u>2002 Request</u>
Byrd Honors Scholarships .....	\$39.9	\$41.0	\$41.0
Javits Fellowships .....	20.0 <sup>1</sup>	10.0	10.0
Graduate Assistance in Areas of National Need (GAANN) .....	31.0	31.0	31.0
Thurgood Marshall Legal Educational Opportunity Program .....	—	4.0	—
B.J. Stupak Olympic Scholarships .....	— <sup>2</sup>	1.0	—

<sup>1</sup> Includes funding for two academic years to change the funding pattern in accordance with the Higher Education Amendments of 1998 providing funds more than a year in advance of the academic year in which they will be used. Funding was provided under GAANN in fiscal year 2000.

<sup>2</sup> The program received \$1 million under FIPSE.

Byrd Honors Scholarships provide merit-based support in the amount of \$1,500, through formula grants to States, to undergraduate students who demonstrate outstanding academic achievement. The 2002 request would provide awards for 27,334 scholars, including 6,548 new scholars.

Javits Fellowships provide up to 4 years of support to students of superior ability and financial need who are pursuing doctoral degrees, or the highest terminal degree, in the arts, humanities, and social sciences. The 2002 request would support 336 fellows for academic year 2003-2004.

GAANN provides fellowships, through grants to postsecondary institutions, to graduate students of superior ability and financial need studying in areas of national need. Participating graduate schools must provide assurances that they will seek talented students from traditionally under-represented backgrounds. The 2002 request would support 1,070 fellows.

The Thurgood Marshall Legal Educational Opportunity Program provides minority, low-income or disadvantaged college students with the information, preparation, and financial assistance needed to gain access to and complete law school study. No funds are requested because disadvantaged individuals can obtain assistance through the Department's student financial assistance programs.

B.J. Stupak Olympic Scholarships provide financial assistance to athletes who are training at the United States Olympic Education Center or one of the United States Olympic Training centers and who are pursuing a postsecondary education. No funds are requested because

athletes can receive scholarship and other funding through the Department's student financial assistance programs.

#### Child Care Access Means Parents in School

	<u>2000</u>	<u>2001</u>	<u>2002 Request</u>
BA in millions .....	\$5.0	\$25.0	\$25.0

This program supports the participation of low-income parents in the postsecondary education system by providing campus-based childcare services. Grants made to institutions of higher education are used to supplement childcare services or start a new program, not to supplant funds for current childcare services. The program gives priority to institutions that leverage local or institutional resources and employ a sliding fee scale.

#### Learning Anytime Anywhere Partnerships

	<u>2000</u>	<u>2001</u>	<u>2002 Request</u>
BA in millions .....	\$23.3	\$30.0	—

The budget includes no funding for this program, which support partnerships among colleges and universities, employers, technology companies, and other relevant organizations to create postsecondary programs on a national or regional scale that deliver distance education that is not limited by time or place. Funding for continuing projects is provided under the Fund for the Improvement of Postsecondary Education (FIPSE), which also can support new projects focusing on the development and improvement of distance learning technologies.

#### Teacher Quality Enhancement Grants (BA in millions)

	<u>2000</u>	<u>2001</u>	<u>2002 Request</u>
State Grants .....	\$43.8	\$44.1	\$10.0
Partnership Grants.....	43.8	44.1	43.3
Recruitment Grants .....	9.7	9.8	0
Peer Review and Evaluation.....	<u>0.6</u>	—	<u>0.7</u>
Total .....	98.0	98.0	54.0

The Teacher Quality Enhancement Grants program helps improve the ways our Nation recruits, prepares, licenses and supports teachers through a State grants program, a Partnership grants program, and a Recruitment grants program. The State Grants program is designed to help States improve the quality of their teaching force through better teacher licensing and certification, greater accountability for high quality teacher preparation and professional development, expansion of alternative pathways into teaching, and increased support for new teachers. The Partnership Grants program strengthens the role of K-12 educators in designing

and implementing effective teacher education programs by increasing collaboration among these practitioners and departments of arts and sciences and schools of education at institutions of higher education. The Recruitment Grants program supports efforts to reduce shortages of qualified teachers in high-need school districts through high-quality teacher preparation and induction programs tailored to meet these locally-identified needs. States or partnerships may apply to receive Recruitment Grants. The Administration is not requesting funds for new awards since virtually all the activities carried out under this program can be supported under the Administration's proposed State Grants for Improving Teacher Quality under the School Improvement Programs account.

#### GPRA Data/HEA Program Evaluation

	<u>2000</u>	<u>2001</u>	<u>2002 Request</u>
BA in millions .....	\$3.0	\$3.0	\$1.0

The 2002 request would help the Department obtain the data needed to comply with the Government Performance and Results Act and to carry out program evaluations. In particular, the budget would support continued development of baselines and targets for performance indicators.

#### Underground Railroad Program

	<u>2000</u>	<u>2001</u>	<u>2002 Request</u>
BA in millions .....	\$1.8	\$1.8	—

This program provides grants to non-profit educational organizations to establish facilities that house, display, and interpret artifacts relating to the history of the Underground Railroad, as well as to make the interpretive efforts available to institutions of higher education. No funds are requested because funds provided in previous fiscal years were sufficient to enable the program to make substantial progress in carrying out authorized activities.

#### Web-Based Education Commission

	<u>2000</u>	<u>2001</u>	<u>2002 Request</u>
BA in millions .....	\$0.5 <sup>1</sup>	\$0.3	—

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<sup>1</sup> Reflects a reappropriation that extended the availability of funds appropriated in 1999 and was scored as new budget authority in 2000.

The Web-Based Education Commission was established by Congress to conduct a thorough study to assess the educational software available in retail markets for secondary and postsecondary students who choose to use such software. The Administration is not proposing funds for the Web-Based Education Commission for fiscal year 2002 because the Commission has completed its work and issued a final report in December 2000.



Academic Facilities  
(BA in millions)

	<u>2000</u>	<u>2001</u>	<u>2002 Request</u>
Interest Subsidy Grants .....	\$12.0	\$10.0	\$5.0
CHAFL Federal Administration .....	0.7	0.8	0.8
HBCU Capital Financing Federal Administration	.2	.2	.2

The academic facilities programs were created to provide financial assistance to institutions of higher education for the construction, reconstruction, or renovation of academic facilities. Funds for Interest Subsidy Grants and CHAFL Federal Administration are requested solely to manage and service the existing portfolios of facilities loans and grants that were made in prior years. Funds for HBCU Capital Financing Federal Administration are requested to manage and service existing and future loans.

Howard University  
(BA in millions)

	<u>2000</u>	<u>2001</u>	<u>2002 Request</u>
Howard University Hospital.....	\$30.3	\$30.4	\$30.4
General Support.....	<u>189.1</u>	<u>202.1</u>	<u>202.1</u>
Total .....	219.4	232.5	232.5

The 2002 request would maintain support for Howard's academic operations, research, endowment, construction, and the Hospital, while giving the University broad flexibility to allocate funds to best meet its needs. The request reflects continued support for maintaining and improving the quality and financial strength of an institution that provides a major avenue of postsecondary access and opportunity for African Americans.

## F. EDUCATIONAL RESEARCH, STATISTICS, AND ASSESSMENT

### Overview

The Office of Educational Research and Improvement (OERI) provides essential support for the improvement of American education by building knowledge about teaching and learning and by helping to stimulate improvements in education policy and practice. OERI supports a wide range of research, development, and dissemination activities and the statistics and assessment programs of the National Center for Education Statistics. The budget request for OERI activities in 2002 is \$382.1 million, an increase of \$66.6 million from the fiscal year 2001 appropriation for comparable programs. Most of the proposed increase is for the National Assessment of Educational Progress (NAEP).

The statistics and assessment programs support systematic, regular data collections to provide the information needed to make decisions about education policy and measure the impact of State and local reforms that change what students study, how they are taught, and how their performance is measured. The 2002 request for statistics includes support for a broad portfolio of on-going activities, as well as an increase of \$5 million to expand the sample for the National Assessments of Adult Literacy and to provide additional support the Decennial Census project. The \$69 million increase for the assessment program will support annual State-level NAEP assessments in reading and mathematics at grades 4 and 8 that are an integral part of the President's *No Child Left Behind* initiative.

An increase of \$2.5 million for research and dissemination would support the language minority initiative, which provides grants for research to identify critical factors influencing the development of English-language literacy competencies among children whose first language is not English. The increase will fund a competition for new awards.

#### Research, Development, and Dissemination (BA in millions)

	<u>2000</u>	<u>2001</u>	<u>2002 Request</u>
Research and dissemination .....	\$103.6	\$120.6	\$123.1
Regional educational laboratories .....	<u>65.0</u>	<u>65.0</u>	<u>65.0</u>
Total .....	168.6	185.6	188.1

The request would support university-based centers that conduct long-term research and development on core issues and concerns, field-initiated studies in which the topics and methods of study are determined by the individual investigators, 10 regional educational laboratories, dissemination activities, and a variety of other research and related projects that address issues of national significance. Activities include:

Improving Achievement in the Core Subject Areas. The Department is proposing to continue its support for the Interagency Education Research Initiative—a collaborative effort between the Department of Education, the National Science Foundation (NSF), and the National Institute of Child Health and Human Development (NICHD). This Initiative is building a knowledge base for improving educational practice by fostering innovative research on basic learning, teaching, and organizational mechanisms and developing sustainable and scalable interventions in education. The goal of the Initiative is to improve pre-K through grade 12 student learning and achievement

in reading, mathematics, and science by supporting rigorous, interdisciplinary research on large-scale interventions of promising practices and technologies in complex and varied learning environments. The work is intended to benefit students who, early on, are deemed to be at risk of school failure and who fail to acquire the higher-level skills needed to compete in the technology-driven workplaces of the 21<sup>st</sup> century.

Improving Learning for Language-Minority Students. The request includes \$10 million, including \$3 million for new awards, to continue support for a major interagency research effort in conjunction with NICHD aimed at identifying critical factors that influence the development of English-language literacy (reading and writing) competencies among children whose first language is Spanish.

Comprehensive School Reform. OERI would continue to support the design, development, evaluation, and scaling-up of comprehensive school reform models for middle and high schools that incorporate the best research-based components and practices available. One goal is to understand the circumstances under which these models are most likely to contribute to sustained improvements in schools.

Regional Educational Laboratories. The regional laboratories promote knowledge-based school improvement to help all students meet high standards, with an emphasis on helping districts and schools serving high concentrations of low-income children. This mission is carried out through extensive programs of applied research and development designed to assist educators and policymakers in their efforts to implement effective school reforms. The laboratories test new approaches to teaching and learning; provide training and technical assistance to teachers, administrators, and policymakers; and disseminate research findings about what works with diverse student groups under a variety of conditions. In addition to providing services to meet regional needs, each laboratory conducts basic and applied research, dissemination, and technical assistance in a designated specialty area.

Dissemination Activities. These activities give educators across the Nation ready access to the best information and methods drawn from educational research and development. Funds support the Educational Resources Information Center (ERIC), which contains an extensive body of education-related literature and materials, and the National Library of Education, which provides comprehensive reference services.

#### Statistics

	<u>2000</u>	<u>2001</u>	<u>2002 Request</u>
BA in millions .....	\$68.0	\$80.0	\$85.0

The request includes a \$5 million, or 6 percent, increase to support the regular data collection, analysis, and reporting activities of the National Center for Education Statistics (NCES). NCES data are used by local, State, and Federal policymakers to gauge the effects of reforms, measure the return on investments in education, and make decisions about educational policy and planning. In addition, NCES databases and publications are widely used by educators, researchers, and others interested in education.

The request includes funds for a program of statistics that has evolved over the past 10 years in response to legislation, evaluation, and particular data needs and in consultation with education

researchers, data providers, and data users. The statistics programs provide general statistics about trends in education, collect data to monitor reform and progress toward the National Education Goals, and inform the research agenda of OERI. NCES also is planning to meet the statistical needs of the future with new technologies, training, data development and analysis, and methodological studies that will support more efficient data collection and produce information that is more useful for parents, teachers, administrators, and policymakers.

The request includes an increase to help expand the sample of the National Assessments of Adult Literacy (NAAL) and to provide additional support for work on the Decennial Census project. NAAL is a nationally representative assessment of English language literacy skills of American adults that will help policymakers target resources to address literacy-related issues. Restoration of the sample size will help ensure accurate estimates are available for key demographic and analysis groups. The Decennial Census project provides 2000 Census data for the Nation's school districts. Additional funding in 2002 will help ensure timely, on-line availability of such data.

#### Assessment

	<u>2000</u>	<u>2001</u>	<u>2002 Request</u>
BA in millions .....	\$40.0	\$40.0	\$109.1

The budget includes a \$69 million increase to support the implementation of the President's proposal to administer the National Assessment of Educational Progress (NAEP) annually in every State in reading and mathematics at grades 4 and 8. The expansion of NAEP is a key aspect of the accountability proposals in *No Child Left Behind* and provides a tool to help States gauge their progress toward improving student achievement. At the requested level, all costs of the NAEP expansions would be covered by Federal funds. Other funds would cover the on-going NAEP program, including national assessments each year, other State-level assessments, and periodic long-term trend assessments. The budget also includes funding for the operational, programmatic, and advisory functions of the National Assessment Governing Board.

#### International Education Exchange

	<u>2000</u>	<u>2001</u>	<u>2002 Request</u>
BA in millions .....	\$7.0	\$10.0	—

The Administration is not requesting funding for the International Education Exchange program in 2002. The program's contribution to the Department of Education's mission to improve the excellence of education in the United States is minimal. Grants supports education exchange activities in civics and economics between the United States and eligible countries. The program benefited fewer than 300,000 U.S. students and 3,900 U.S. teachers in 2000.

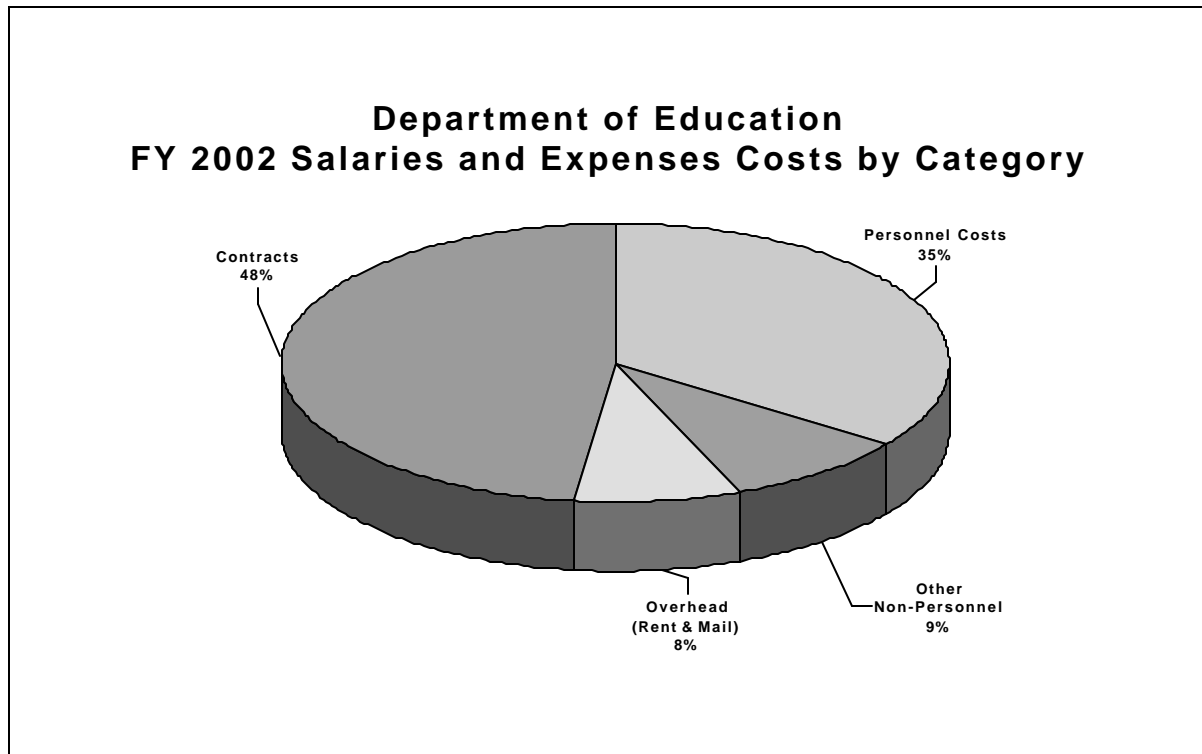
## G. DEPARTMENTAL MANAGEMENT

	<u>2000</u>	<u>2001</u>	<u>2002 Request</u>
<u>Discretionary funds</u> (BA in millions)			
Program Administration .....	\$382.8 <sup>1</sup>	\$412.2	\$424.2
Office for Civil Rights .....	71.2	75.8	79.9
Office of the Inspector General.....	34.0	36.4	38.7
Federal Family Education Loans .....	48.0	48.0	49.6
Other <sup>2</sup> .....	<u>11.5</u>	<u>11.4</u>	<u>10.1</u>
Total, Discretionary S&E.....	547.5	583.8	602.5
<u>Mandatory funds</u> (BA in millions)			
Student Loan Administration:			
HEA Section 458 .....	555.0	600.0	600.0
Payments for Services by Guaranty Agencies .....	<u>180.0</u>	<u>170.0</u>	<u>180.0</u>
Total, Mandatory authority .....	735.0	770.0	780.0
Total Federal Administration (excluding Guaranty Agency Payments).....	1,102.5	1,183.8	1,202.5
<u>Full-time equivalent employment (FTE) <sup>3</sup></u>			
Program Administration .....	2,656	2,753	2,753
Office for Civil Rights .....	712	724	724
Office of the Inspector General.....	262	285	285
Federal Family Education Loans .....	372	368	368
Student Loan Administration.....	554	571	571
Other <sup>2</sup> .....	<u>37</u>	<u>46</u>	<u>40</u>
Total .....	4,593	4,747	4,741

<sup>1</sup> Excludes \$93,000 transferred to the Department of Agriculture and General Services Administration to support fiscal year 2000 interagency activities associated with the Chief Information Officers' and Chief Financial Officers' Councils.

<sup>2</sup> Includes small Federal Credit accounts and S&E activities in program accounts. Excludes National Institute for Literacy and Occupational and Employment Information grants.

<sup>3</sup> Actual FTE usage in 2000; maximum target for 2001 and 2002.



The 2002 budget request for Salaries and Expenses (S&E) will pay the costs of the staff, overhead, contracts, and other activities needed to administer and monitor the Department's educational assistance programs and provide over \$60 billion in grants and loans each year to more than 8 million postsecondary students.

The Department is requesting \$602.5 million for its discretionary S&E budget in 2002, an increase of \$18.8 million over the 2001 level. Most of the increase is for the 2001 and 2002 government-wide pay raises.

Almost 50 percent of the Department's S&E budget is funded under a permanent mandatory appropriation that supports the operations of the student loan programs and other student financial aid management. Mandatory Federal administrative costs will remain at \$600 million, no change from 2001. The mandatory funding has contributed to the decline in the default rate, improvements in collections, and better services to students and families seeking aid for college expenses.

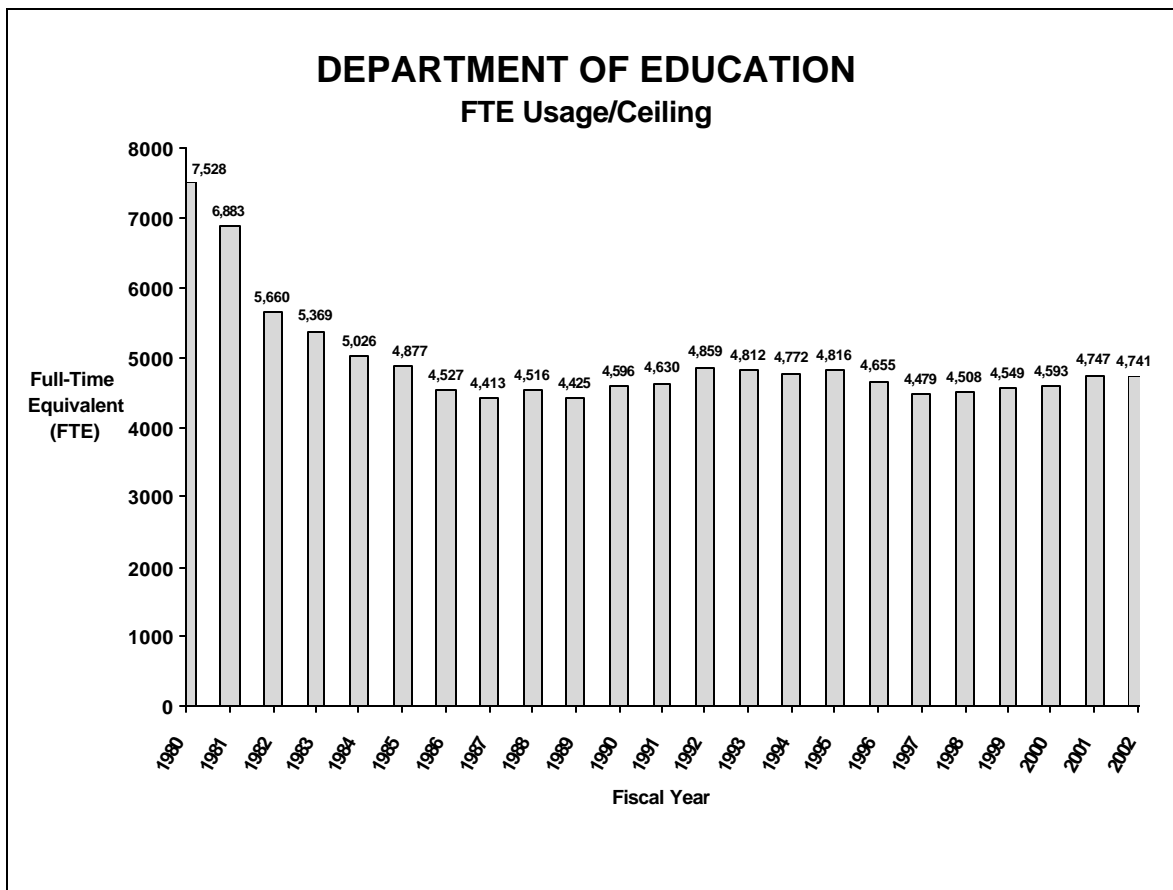
The largest single expense under this appropriation is the cost of private sector contractors who originate and service Direct Student Loans. The mandatory account supports all student aid programs through a variety of other contracts, such as the National Student Loan Data System, as well as payments to 36 non-Federal guaranty agencies that help administer the Federal Family Education Loan (FFEL) program. Both Direct Loan servicing costs and FFEL guaranty agency payments fluctuate with loan volume.

Department administrative costs continue to constitute a small fraction of the total education budget. For example, even with the increase requested for 2002, the discretionary administrative budget would be less than 1.4 percent of the Department's total discretionary

budget. Similarly, the Department's total administrative budget, including mandatory administrative funds, represents less than 1.3 percent of total program funds administered by the Department, including student loan volume and the mandatory appropriation for the Rehabilitative Services Administration.

### Department Employment

With a 2001 target of 4,747 FTE, staffing levels are nearly 40 percent below the 1980 level of 7,528 FTE when the Department was created. The 2002 staffing request for the Department is 4,741 FTE, a decrease of 6 FTE from 2001, reflecting the discontinuation of the Career Resource Network activity (see the Occupational and Employment Information program under Vocational Education) and the Web-Based Education Commission. The Department has held FTE levels for ongoing activities to their 2001 levels despite the new initiatives included in *No Child Left Behind*. Once enacted, these initiatives could reduce the need for staff working on individual programs, but there may be a short-term increase in workload during implementation. Within the Department's offices, staff will be reassigned to new priority areas as needed and will acquire new skills through training and developmental assignments.



The Department has maintained operations in spite of reduced staffing levels in part by relying heavily on automation and private contractors to handle such functions as awarding grants,

processing student aid applications, and providing grants and loans to more than 8 million college students. Already the smallest of the 14 Cabinet agencies, the Department minimizes administrative tasks and privatizes functions that can be handled more efficiently by outside contractors. A prime illustration is the use of contracts to operate the Direct Student Loan program.

#### Program Administration

Administrative support for most programs and offices in the Department is funded by the Program Administration account. The 2002 request for this account is \$424.2 million, an increase of \$12 million over 2001, including \$252 million for staff pay and benefits and \$172.2 million for non-pay costs. The request would maintain the 2001 level of 2,753 FTE for 2002. The request for salaries and benefits, which is 59 percent of the total, reflects average employee pay raises of about 3.81 percent in January 2001 and another 3.6 percent estimated for 2002, covering both national and locality pay raises. The account also finances rent, travel, and computer support for the staff and some contract costs of the student aid programs.

#### Postsecondary Education Management

In 2002, the Department will oversee the provision of over \$60 billion in Federal student aid grants and loans to 8.2 million students and parents, as well as \$1.8 billion in additional grants and loans to higher education institutions. Administration of this postsecondary student aid is the responsibility of Student Financial Assistance (SFA), which in 1998 became the Federal government's first performance-based organization. In awarding this aid, the Department and its contractors will interact on a daily basis with over 6,000 schools, 4,100 lenders, 36 guaranty agencies, and dozens of accrediting agencies, participants in the secondary market for student loans, and other organizations. Ensuring the smooth operation of the complex array of financial transactions involving these numerous participants in the student financial aid programs—and safeguarding the interests of both students and the Federal taxpayer—is perennially the Department's greatest management challenge and its highest administrative priority.

Excluding \$180 million in payments for services to FFEL guaranty agencies, the Department will spend \$729.5 million in 2002 to administer the student aid programs, or more than 60 percent of the Department's total administrative budget. About 82 percent of this \$729.5 million reflects mandatory funding authorized under Section 458 of the Higher Education Act; the remaining funds are provided under the discretionary Program Administration account and an account supporting the administration of the FFEL program. This total does not include small discretionary appropriations that support the College Housing and Academic Facilities Loan and HBCU Capital Financing programs.

Major activities supported with these funds include:

System Modernization. This request includes \$46.9 million to support continuing Department efforts to modernize SFA systems and processes. The success of these efforts to replace the costly and cumbersome stovepipe structure of 14 separate systems that process applications for, disburse, and account for Federal student financial aid are the key to the success of the performance-based organization. The goal of these efforts is an integrated, user-friendly system that ensures financial integrity; allows simplified access and use by students, schools, lenders, guaranty agencies, and other program participants; and is supportable under available funding levels.



Direct Loans. Origination and servicing costs for Direct Loans account for roughly a third of Department administrative spending on postsecondary education. Costs for these contracts will total \$257.8 million, an increase by \$32.6 million over the 2001 level. This increase reflects growth in the number of Direct Loans on the servicing system.

Student Aid Delivery. The Department expects to spend about \$50.6 million on contracts with a number of private firms to process paper and electronic applications, determine student eligibility, and maintain information management systems required to transfer data and funds between the Department and schools participating in the Federal student aid programs.

National Student Loan Data System. The budget includes \$11.9 million in 2002 for the National Student Loan Data System (NSLDS), a national database of loan-level account information. The system is used to screen financial aid applications to prevent loans to applicants who have defaulted on their student loans or who have reached maximum award levels, and to compute institutional default rates. This system has already prevented more than \$1 billion in grants and loans from being made to ineligible students.

Ensuring Program Integrity. The Department dedicates nearly 400 FTE to ensure that institutions participating in Federal student aid programs—including schools, accrediting associations, lenders, private service contractors, and guaranty agencies—meet statutory eligibility requirements and operate in accordance with all statutory and regulatory guidelines.

Increasing Debt Collection. Collections on defaulted loans by the Federal Government and guaranty agencies totaled over \$4 billion in FY 2000. The direct cost for Department data system contracts supporting these collection activities will total and estimated \$18.6 million in 2002.

### Technology

A key focus of the Salaries and Expenses budget is to increase the use of information technology to improve the efficiency and effectiveness of the Department's operations. The 2002 request would support the following:

Internet and Intranet Development . The Department would spend \$4.4 million for the continued expansion and operation of the Department's Internet and intranet sites, an increase of \$2.7 million over 2001. The sites provide a critical communications link to both the Department's internal and external customers. Specifically, the Internet connects ED with grantees, educational institutions, government agencies, contractors, and others. The additional funds would be used to increase technical support for the sites and to help implement the Government Paperwork Elimination Act through expanded electronic dissemination information to the public and through increased electronic commerce.

Data Coordination Committee. The budget includes \$852,000 for the Data Coordination Committee (DCC) project, which helps promote the efficient collection and use of education information among Federal agencies and throughout the Nation's education community. The focus is on improving data management, reducing data burden, encouraging data exchange within the Department, and increasing the overall usefulness of data collected by the Department.

Information Technology Architecture. The Department is requesting \$900,000 in 2002 for the Information Technology (IT) Architecture project, which is developing a blueprint for information technology development and management throughout the Department. The final product will

govern the IT investment management decisions made by the Department. The request, which is a decrease of \$300,000 from the 2001 level, would pay for contractual assistance in developing the more detailed phases of the plan, such as preparing a schedule of implementation.

Network Operations and Software Licensing. The 2002 budget would provide \$28.4 million for network maintenance, operations, and improvements, an increase of \$2.4 million over the 2001 level. This project provides end-user support, as well as maintenance and operations for the local area network system, which includes headquarters and all of the regional offices. The increase would support enhanced back-up capability, greater network security, and software upgrades.

IT Investment Management. The Investment Management project consists of two initiatives: improving the selection, management, and evaluation of IT projects, and implementing and maintaining an IT capital planning management and information system. The budget includes \$580,000 for these activities in 2002, the same as the 2001 level.

Asset Management System. The Asset Management project helps the Department to manage its information technology assets, limit the purchase of incompatible and unnecessary equipment, and control theft of government property. The request includes \$931,000 for this project, an increase of \$195,000, to expand the use of asset tracking software to inventory hardware and software related to the Department's local area network.

IT Security. This \$1.9 million project is designed to strengthen key aspects of the Department's IT security, including Department-wide security awareness and training, security reviews and implementation of corrective action plans, development of disaster recovery plans, and electronic signature authority for Department information and services. The request is \$152,000 higher than the 2001 level.

Security Audits. The Department is requesting \$300,000, an increase of \$100,000, to audit the Department's security controls for its critical information systems. These audits are increasingly important as the Department implements paperless electronic commerce initiatives and will provide management with an independent assessment of the impact of any weaknesses on the information technology environment.

Continuity of Operations. The budget provides \$2 million for the Continuity of Operations project, which responds to a Presidential Directive requiring each agency to develop and implement a comprehensive plan to ensure the continuity of essential functions in the event of an emergency or disaster. In 2002, the Department will continue implementation of its plan by creating a secondary data processing, or "Warmsite Support Center." Funds would cover equipment maintenance costs, contractor technical support, and the migration of Warmsite applications from current tape backup systems to more economical disk backup.

Electronic Records Management. The request includes \$667,000 to develop and implement a system to archive, retrieve and dispose of electronic records in line with guidelines issued by the National Archives and Records Administration.

Emerging and Assistive Technology Center. The Department is proposing to spend \$324,000 on the Emerging and Assistive Technology Project, which would continue to support Department staff with disabilities by providing state-of-the-art technology solutions designed to facilitate access to the data and information they need to successfully perform their duties.

Information Management. The request provides \$312,000 for a project involving the wider education community that is intended to result in more effective and efficient use of Federal funds through the development of improved data collection strategies and instruments.

### Financial Management

The Department will focus its efforts on improving the financial management of its programs. The following initiatives are designed to provide accurate and timely financial data and increase financial integrity.

Education Central Automated Processing System (EDCAPS). The budget includes \$18.5 million, an increase of \$7.2 million, for both the continuing operations and enhancement of the EDCAPS system. Improvements would include the integration of the new general ledger system with other financial systems; greater support for data reconciliation, audits, and financial statement preparation; and development of a data mart/warehousing module designed to enhance financial reporting. The request also includes funds to implement the Department's Continuity of Operations Plan, which entails the development of a disaster recovery site to ensure continuity of EDCAPS operations in the event of a disaster.

General Ledger Improvements. The Department is seeking \$1.1 million in 2002, a decrease of \$8.8 million, to complete the General Ledger Improvement project, which is replacing the Financial Management System Software (FMSS) component of EDCAPS. The project will implement accounts receivable, general ledger, budget planning and execution, and administrative functions during 2001 and will decommission the old system in 2002.

Electronic Travel System. The request provides \$600,000, down \$766,000 from the 2001 level, for a new travel management system which will process travel documentation for all Department travelers. The new web-based system will replace the current system, which resides at the National Finance Center (NFC) in New Orleans, and will allow nationwide access to provide more timely and efficient processing of travel documents.

Financial Improvement. The \$585,000 Financial Improvement project provides contractual support to the Department for assistance in preparation of financial statements, data reconciliation and other financial management activities. The project also will support the phase-out of the legacy financial management system.

Audit of Financial Statements. The request includes \$2.3 million, an increase of \$675,000 over the 2001 level, to conduct the legislatively mandated Office of the Inspector General audit of the Department's financial statements for fiscal year 2001. The additional funds are because of expanded audit responsibilities involving Student Financial Assistance and for additional technical support needed to obtain an unqualified audit in 2002 and future years.

### Office for Civil Rights

The Department's Office for Civil Rights (OCR) investigates discrimination complaints, conducts compliance reviews, monitors corrective action plans, and provides technical assistance on civil rights issues. The 2002 request for OCR is \$79.9 million, an increase of \$4.1 million over the 2001 level. About \$60.5 million of the OCR budget is for staff pay and benefits for its 724 FTE; the remaining \$19.4 million covers overhead costs as well as computer equipment, data analysis and reporting activities, travel, staff training, and other contractual services.

About 88 percent of OCR staff are assigned to 12 enforcement offices in four regional enforcement divisions. OCR plans to manage its workload in 2002 by reliance on the redesigned complaint resolution process and Case Resolution Teams. OCR also will continue enforcement activities such as partnerships with State and local education agencies, empowerment of parents and educators through clarification and guidance in key civil rights areas, and increased staff training on civil rights issues. Although over half of the complaints filed with OCR allege discrimination on the basis of disability, OCR continues to address all educational equity issues.

#### Office of the Inspector General

The Office of the Inspector General (OIG) conducts audits and investigations of the Department's programs and activities to help ensure accountability for taxpayer-provided funds and to identify management improvements. In fiscal year 2000, the Department recovered over \$1.5 million as a result of OIG's audit findings and investigations.

The 2002 request for the OIG is \$38.7 million, and increase of \$2.3 million over 2001. Nearly 65 percent of the budget increase is for built-in costs, including pay adjustments and Department overhead costs.

Three-quarters of OIG staff are assigned to 8 regional and 11 field offices (6 of which are flexiplace locations), where they investigate allegations of fraud on the part of recipients of program funds and conduct audits of the Department's programs and operations. In 2002, OIG will focus a majority of its program and operations improvement efforts on Student Financial Assistance programs, Elementary and Secondary Education Act programs, Department systems audits and the audit of the Department's financial statements. Most compliance activities will continue to focus on the Student Financial Assistance programs.

## **APPENDICES**

### **Tables:**

- Total Expenditures for Education in the United States
- Detailed Budget Table by Program